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Before the Committee on Appropriations

Southwest Border Law Enforcement and Trade

Fiscal Year 1988

100th CONGRESS, FIRST SESSION

SPECIAL HEARING

S181-29

S. HRG. 100-549

SOUTHWEST BORDER LAW ENFORCEMENT AND TRADE

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

SPECIAL HEARING

Printed for the use of the Committee on Appropriations

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SOUTHWEST BORDER LAW ENFORCEMENT AND TRADE

WEDNESDAY, AUGUST 19, 1987

U.S. SENATE,
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE,
AND GENERAL GOVERNMENT,
COMMITTEE ON APPROPRIATIONS,
Nogales, AZ.

The subcommittee met at 9 a.m., at the Nogales City Hall, Nogales, AZ, Hon. Dennis DeConcini (chairman) presiding.

Present: Senators DeConcini and Domenici.

NONDEPARTMENTAL WITNESSES

Mr. RIOS. Good morning, ladies and gentlemen. On behalf of Dan Doyle, I welcome you to Nogales, AZ, distinguished Senators Dennis DeConcini and Pete Domenici as well as Commissioner, U.S. Customs William von Raab and the Southwest Regional Commissioner Jim Piatt; the deputy assistant United States trade representative for Mexico, Mr. Timothy Bennett; the District Director of Customs for this district, Mr. Frederick Lawrence and Mayor Bill Pettit of Bisbee as well as all of our other distinguished guests, witnesses, and friends.

The government and the city of Nogales is well-aware of the awesome responsibility and commitment of the Federal customs and immigration authorities and other Federal, State, and local law enforcement agencies to the eradication of drug traffic while providing the legitimate flow of international trade.

By an accident of geography, Nogales is a crossroads in the path of both a substantial legitimate trade and the under currents of illegal movements of drugs curtailed only by the delinquent actions and combined efforts of the law enforcement agency.

Nogales also is a commercial hub subject to the very substantial fluctuations of a floating population three times its size.

In providing the services necessary to cope with it, our community is carrying the burden of financing this extraordinary situation. In return we hope to prevail upon the Federal Government in due course to allow us the use of some of their lack of sanitary land fill.

Gentlemen, the government of the city of Nogales stands ready and willing to cooperate with you and wishes you success in these hearings. Welcome.

Senator DECONCINI. Thank you, Mr. Rios. I want to thank you very, very much. Senator Domenici and I, and the Customs Service, as well as the entire Senate Appropriations Committee, thank you for your hospitality and that of Mayor Doyle, the rest of the city council, and the city of Nogales for hosting our hearing today.

This morning, the Senate Appropriations Subcommittee on Treasury, Postal Service, and General Government is meeting in Nogales to explore the question that has become fundamental to many of you who live and work along the United States/Mexican border. And that question is, How do we balance the need to maintain tough, fair enforcement of our drug laws with the need to facilitate the flow of legitimate commerce and trade across this border?

As chairman of this subcommittee, which funds our most important border agency, the U.S. Customs Service, I hope to explore the business climate along the Southwest border and to find some answers to this important question from our lineup of outstanding Government witnesses and private sector witnesses that we will hear today.

Before we turn to our witness list, it is a personal privilege of mine to have my colleague from New Mexico who is the ranking member on the Appropriations subcommittee. He is the former chairman of the Senate Budget Committee. No one in the U.S. Senate has greater knowledge of the Southwest border than Pete Domenici. He served as city councilman. He is serving in the U.S. Senate in his third term, and I'm deeply honored that this Senator would take the time to be with us to learn about the problems in Arizona.

This is the time set for the Senate hearing and I yield to him for any opening statement and welcome the Senator to Nogales.

Senator DOMENICI. Thank you very much. It's a pleasure to be here with you. I know we have a very busy schedule this morning and I'm not going to take very long, but I would like to make a few brief remarks.

First, I would like everyone to know how pleased I am to be here in Nogales, AZ, today with my distinguished friend and the chairman of this subcommittee, Senator Dennis DeConcini.

I would just like to say at the outset that Arizona is fortunate indeed to have such a man as Dennis DeConcini as its Senator. As a Senator from your sister State of New Mexico, he and I have done battle together on more than one occasion on issues affecting Southwest regional interests and those of our border States in particular. I must say that it is great to have him as an ally and, Senator, when we work together things happen and it's really a pleasure to be able to do this.

This year we will be working together on the kind of issues that bring us together here at this meeting in Nogales. You know that Senator DeConcini has been a formidable force on law enforcement issues in Washington, DC. He's been on the forefront of our efforts to declare war on illegal drugs. This year, we have the good fortune, as I indicated, to serve together—he, as chairman, and I as ranking member—on the subcommittee that actually funds most of the activities that concern us here today. I know we share a commitment to continue and strengthen the Federal support for Operation Alliance—the initiative launched 1 year ago to halt the flow of drugs across the border. We must see that this and other antidrug efforts are sustained and improved.

We also share a desire to facilitate the flow of legitimate commerce between the United States and Mexico; and to see what we can do to enhance the potential for Mexican prosperity on the Mexican side, and to make sure that's related to employment and economic growth in the United States wherever we can. Obviously, with adequate procedures and facilities to process cargo at our borders, and with the efforts of State and local governments as well as private industry, we can, in my opinion, significantly improve that growth environment.

Perhaps major growth in the Maquiladora operations and other trade interests along the Southwest border ought to be our goal and our objective. We'll find out more about that here today and when the chairman comes with me to New Mexico tomorrow, we will explore the same there in my State.

Obviously, we're going to focus on issues of border trade and law enforcement at this hearing. Not only will you people here in Arizona be able to hear the Federal officials speak on these matters, but we'll be able to get your perspective on these important issues.

I must say that after 15 years in the U.S. Senate, I always find it refreshing to take Senate hearings out of the Nation's Capitol to those parts of the country where the programs are operating and the problems actually are. Things are not always working as well as we would like and it's good to hear what we're doing well, but it's also good to hear what we're doing not so well. This allows us to make better decisions on how we can effectively and efficiently put our limited Federal resources to work for our common interests and for the things that bother and disturb and worry you. So I look forward to this day and I thank you, Senator, for inviting me and for the hospitality that you and your wife have shown to me already in the beginning of this trip. I'm sure we'll have very good days together.

Senator DeConcini. Thank you, Senator Domenici. Today we're going to move right along due to time. I want to advise the press that we will be available for any questions that you might have; you'll have to deal with the Federal representatives that are here, and they are very cognizant. And there may be some questions that you may ask that we will not cover today.

STATEMENT OF WILLIAM VON RAAB, COMMISSIONER OF CUSTOMS, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

ACCOMPANIED BY:

JAMES PIATT, REGIONAL COMMISSIONER, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

WILLIAM ROSENBLATT, ASSISTANT COMMISSIONER FOR ENFORCEMENT, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

B. TIMOTHY BENNETT, DEPUTY ASSISTANT UNITED STATES TRADE REPRESENTATIVE FOR MEXICO

Senator DECONCINI. Our first witnesses today are going to be the U.S. Customs Service Commissioner, William von Raab, and his regional commissioner, Mr. James Piatt. These two gentlemen are, hopefully, going to set the stage for us to discuss both the drug threat along the border and what Customs is doing to streamline border trade along that same border.

Commissioner von Raab has done an outstanding job for Customs and has been way out in front in recognizing the need to have stronger interdiction and border enforcement but, at the same time, to bolster the capability of the commercial operations along the border.

We in Congress are here to listen to those problems—to see what can be done to make the commercial side better and at the same time not to cause a problem or to help in anyway with the flow of drugs into our country; I think they are both compatible.

Gentlemen, we're delighted to be here today. We have a long list of witnesses and I want to be sure that everyone has an opportunity to have their full statement printed in the record.

I'm going to have to limit witnesses to 5 minutes for verbal statements, but any statements can be submitted, since the record will remain open for a couple of weeks. Again, I want to sincerely thank Dan Doyle, the mayor of Nogales, Mr. Rios, the councilmen, the alderman, and others who has taken the time to open the Nogales City Hall for our use today. Mr. von Raab.

PREPARED STATEMENT

Mr. VON RAAB. Thank you, Mr. Chairman. I have submitted an extensive statement for the record which contains a lot of data concerning additional resources that have been placed in the Southwest and I request that you accept that.

Senator DECONCINI. Without objection, that will appear on the record.

[The statement follows:]

STATEMENT OF WILLIAM VON RAAB

It is a pleasure to appear before you Mr. Chairman in this important field hearing in Nogales, Arizona. This Subcommittee has provided important support for Customs drug enforcement and commercial facilitation efforts, and I believe it is appropriate to provide you with an up-to-date status of what we have done with the resources wehave been given.

There are 150 million people, 50 million vehicles, and masses of cargo crossing each year. On a normal day, our officers, operating from 8 major and 6 smaller ports, must process some 500,000 persons and 150,000 vehicles, many loaded with all kinds of cargo. And as you all know, we just cannot take our time about it, because the business community and traveling public will not accept inordinate delays. Those are the working conditions.

At the same time, we face a growing narcotics threat along our southern border. Over 40 percent of the heroin consumed in the country is grown and smuggled across this border. Recent intelligence indicates that the smuggling of cocaine also has increased alarmingly.

Since becoming Commissioner of Customs, I have redirected much of the agency's resources to drug interdiction and other illegal activities.

The enforcement program we have been building since 1981, has certainly brought the nation a significant payoff in drugs interdicted along the border. Customs agents, inspectors, marine and air units seized 52,521 pounds of cocaine in 1986 along. In addition 692 pounds of heroin, 2,211,068 pounds of marijuana and 17,555 pounds of hashish were stopped. The magnitude of the problem is clearly evident in the amounts attempted to be smuggled. For example, in October 1986, containers with 6,900 pounds of cocaine became the largest single seizure of cocaine ever. Despite these successes, the country continues to face the threat of illegal importations of bumper crops of cocaine, marijuana and heroin.

Customs is now busy training people and procuring and deploying the equipment provided by the 1986 Omnibus Drug legislation. The Anti-Drug Abuse Act of 1986 provided Customs with $137 million dollars over and above the normal appropriation bringing Customs total FY 1987 budget to slightly over $1 billion dollars. Of this $137 million, $44 million dollars was authorized for personnel and supporting equipment and $93 million dollars for enhancing the air program.

In total, Customs has hired 996 new personnel and has purchased equipment for the marine program, including marine radar equipment for the Gulf Coast, and voice privacy radios. These funds also will be used to enhance Customs secondary inspection capabilities at ports along the Southwest border.

In light of the serious drug smuggling problem along the Southwest Border, referred to earlier, the bulk of personnel and assets provided by the Omnibus Drub Bill have been allocated to this sector of the country. These resources are augmenting the ongoing Operation Alliance, which began in June 1986. Focusing on narcotics smuggling along the Southwest Border, the operation integrates Customs, State, Local and sister Federal agencies under a joint command group consisting of senior officials from each agency. Operational leadership of Operation Alliance rotates among the agencies. Customs Southwest Region directed its activities during the initial six months.

In support of our Southwest border interdiction efforts, Customs began allocating additional resources in May of 1986, well before the announcement of Operation Alliance. I would like to list some of the enhancements we have made along the Southwest border.

OPERATION ALLIANCE ENHANCEMENTS

New Personnel

* Customs Service staffing has increased by about 1000 positions along the southwest border. Increases include 328 agents/investigators; 269 air crew personnel; 31 intelligence officers; 264 inspectors; 25 canine enforcement officers; and 30 enforcement support personnel.

* The USCS has opened a new Operation Alliance office in El Paso, Texas. This office is staffed by the Customs Operation Alliance Coordinator and one Senior Special Agent. The purpose of this office is to coordinate all Customs participation in Operation Alliance enforcement programs with the Joint Command Group, Customs Headquarters and with Customs Southwest border enforcement offices.

New Equipment

* Twelve additional aircraft have been acquired for the southwest border, adding to the 37 already assigned; 5 more are planned.

* Two E-2C aircraft are operational in a training mode along the southwest border to detect illegal penetrations. E-2C's are fully operational and deployed from Corpus Christi, Texas.

- Three Citation aircraft will be modified and will be delivered beginning in late 1987.

- Four NOMAD aircraft for marine surveillance will be delivered beginning in February 1988.

- One P-3 aircraft will be modified with an APS-125 radar system; to be delivered 17 months after contract award.

- Five aerostats are funded for the southwest border. The Ft. Huachuca aerostate will be installed by October 1987 and be operational by December 1987. Four remaining aerostats will e located along the border and will be operational beginning in 1989.

- Six marine radars are operational on southwest border; a seventh is expected to become operational in June 1987.

- Eight radars are being installed on the Gulf Coast, and will be operational by October 1.

- All Customs enforcement officers on southwest border have been equipped with voice privacy radios; this represents 801 mobile and 590 portable radios. We are expanding the network along the southwest border to accommodate the increase in traffic.

- There are twenty-two vessels assigned to the southwest border.

Command Centers and Other Facilities

- Southwest Border Tactical Operations Center was established in Houston and implemented October 20, 1986 to coordinate drug interdiction efforts of Federal agenices as well as state and local agenices.

- An Aviation Operations Branch has been established in San Angelo, Texas, to respond to targets penetrating the Big Bend area of Texas.
- New Surveillance Support Center has been established in Corpus Christi, Texas. All P-3 and E-2 aircraft will be operationally deployed from this facility.
- Gulf Coast Command Center is under construction and is scheduled to be operational by the end of the year.
- Western C3I presently being established at Riverside, California. Initial operating capability planned for October 1987.
- EPIC has restructured its Air Smuggling Intelligence Unit to provide direct support to Customs Investigations and Inspectional field units.

Inspection Enhancements

- Inspector on-board staffing levels on the southwest border have increased from 856 to 1047 in the last year. There will be nearly 1200 inspectional personnel on-board when all are trained.
- Canine enforcement teams have icnreased by 25 along the southwest border.

- Operation Laredo concluded on April 2, 1987 and resulted in the seizure of 11,000 lbs. of marijuana, the arrest of 109 persons and the development of 85 cases.

- Passenger and vehicle intensified inspections have doubled from 5 to 10 percent since the inception of Operation Alliance.

- Special Operations designed to search vehicles moving outbound into Mexico have revealed sizeable amounts of weapons, stolen vehicles and false compartments.

- In the Pacific Region, inspectors at the Port of Otay Mesa are totaly devanning and examining 40 percent of commercial trucks coming from Mexico. At Calexico, California, 30 percent of the trucks are completely inspected.

- Improved data link with the Federal Aviation Administration to ensure private aircraft arrival information is received even before the aircraft lands. State and local law enforcemnt organizations are participating more actively in private aircraft enforcement efforts. Twenty states are now on line.

Federal Agency Cooperative Efforts

- 105 Customs agents have been cross-designated with limited Title 21 authority by DEA and approximately 70 more will be cross-designated in the near future.

- Arizona, corridor, an enforcement action between ports of entry, concluded on June 10, 1987 with no significant results. Texas concluded an operation in the Brownsville area with the seizure of 1660 pounds of cocaine.

- There was a general meeting of all field managers involved in Operation Alliance on June 18, 1987, in El Paso, Texas. This was the first meeting of all DEA, Customs, and INS, SACS, District Directors and a representative from ATF. The purpose of this meeting was to review the past year of the operation (July 1986 to present) and discuss new enforcement initiatives for fiscal 1988.

State and Local Cooperation

- Meetings have been held with practically al sheriffs/police chiefs along the southwest border.

- Advisory groups of state and local law enforcement officers have been established for Texas, Arizona, New Mexico and California.

- 399 radios are being loaned to state and local sheriffs along the southwest border, so they can communicate with Customs.

- 113 privacy code modules will be loaned to Texas Department of Public Safety to allow private communications with Customs.

- Providing state and local governments with forfeited assets for law enforcement efforts; almost $2.5 million in assets turned over to state and local law enforcement agencies on the southwest border since October 1985.

- Ongoing program to identify resources for loan to state and locals; one vessel and one aircraft are presently on loan.

Citizen Outreach

- Hotline to report drug smugglers (1-800-BE-ALERT) from Florida to California with payments up to $2,500 for tips that lead to arrests and convictions.
- Southwest border staff required to give anti-drug speeches to public groups equipped with a slide show and speakers handout kits; about 300 speeches given as of mid-April and over 30,000 kits distributed.
- A concerted effort is underway with the trade community to enhance industry sponsored anti-narcotics campaigns and to improve their practices to facilitate inspections for narcotics.

These allocations, which included an increase of 264 inspectors, are affecting the almost uncontrollable smuggling increase experienced last year. For example, at the Southwest Border ports during FY 1986, cocaine seizures were up over 250 percent from 124.4 pounds to 443.5 pounds. Similar results are being reported for FY 1987.

As part of "Blue Fire", the Customs portion of Operation Alliance, Customs has loaned radios to local and state law enforcement agencies in New Mexico, Arizona, Texas, and California so that they can communicate with us as during ongoing enforcement operations. Since state and local law enforcement agencies know their areas and have access to sources unavailable to federal agencies, these combined efforts have proven very effective against the smugglers.

In addition, to land border operations and investigations, Customs is supporting Operation Alliance with stepped-up air and marine detections and interceptions. For our Air Program, the Omnibus Drug Bill authorized two E-2C aircraft, four additional Black Hawk Helicopters, two high-speed interceptors, five aerostats, funds for modifying the C-12 aircraft with sophisticated sensors, and authorized the retrofit of the P-3 aircraft with 360 degree lookdown radar.

I can assure you that this equipment will be operating along the Southwest Border, including Arizona and New Mexico. The E-2C's give Customs effective detection along the Southwest Border. As for the aerostats, we are moving along as rapidly as possible with this development and deployment. The Fort Huachuca aerostate will be available for detecting illegal flights by November 1987, and for full operations by January, 1988. Sites for the other aerostats have been selected. While the modification of the P-3 with the APS-125 radar is on schedule, it is not expected to be ready for testing until November 1988.

We also have enhanced our marine operations along the Texas Gulf and along the Pacific Coast areas, both used by smugglers to circuvent the interdiction forces along the land border. Since early 1986, we have beefed-up our program nationally with 44 additional interceptor vessels, 19 support vessels, and 3 radar platforms. We are acquiring 20 additional vessels with Drug Bill funds. While the largest concentration of Marine Program assets is still in the Southeast, we are allocating significant new resources to support Operation Alliance.

A major enhancement of our marine operations was the establishment of the Blue Lightning Operations Command Center (BLOCC) at Miami, Florida in February, 1986. The success of this center convinced us that a network was required to support marine operations along the entire border. Therefore, a similar operation centers are to be implemented in Houston, Texas, and Gulfport, Mississippi.

In addition, Command, Control, Communications and Intelligence Centers (C3I), will integrate and enhance air and marine operations by providing real-time threat and response data for operational commanders. The information will be derived from all available sources and will be available to all Federal, State, and Local agenices involved in operational drug interdiction.

On the Commercial side of Customs operations, we also have pursued a multi-faceted strategy to reduce congestion and to move cargo more expeditiously. Initially, an indepth survey ws conducted of ongoing operations, work procedures and available facilities. As a result of the data derived from this study, we are working on proposed cooperative efforts with Mexican Customs and the trade community. For longer term solutions, we have identified serious facility and access way deficiencies. Clearly, the facilities along the border have not kept pace with the dramatic workload of increases experienced over the past decade.

In order to provide immediate relief for current problems, Customs has already implemented a series of programs for facilitating the movement of legitimate trade. Special programs, incuding line release, the Automated Commercial System (ACS) Selectivity, the Automated Broker Interface (ABI), and Centralized Examination Stations. These programs have been implemented for ports with limited inspection areas and very heavy traffic flow.

Automated Line Release, which is a new program for the Southwest Border, takes advantage of the high percentage of repeat, low risk shipments crossing the border. Using personnel computers and a bar code technology, these low risk shipments are identified at the port level and are cleared through all requirements immediately and without any lengthly processing. At this time, Automated Line Release is operating at El Paso, Nogales; and Laredo and will be implemented at Otay Mesa, Brownsville, Hidalgo later this year.

For each of these programs, Customs is planning implementation at all required locations as soon as possible. Many of the ports already are operating with on-line ACS selectivity. Centralized Examination Stations are in El Paso with expansion planned for Laredo. Additional sites will be determined in conjunction with local trade and government officials.

This completes my formal statement. My staff and I are prepared to answer questions for the Committee.

Mr. VON RAAB. The two topics that we face today are obviously very, very important for this part of the country and that is the narcotics threat and trade across the border, both of which are the primary responsibility of the Customs Service.

Over the past 5 years, unfortunately because of change in economic conditions in Mexico and a greater law enforcement presence in the Southeast, there has been an increased narcotics threat in this part of the country. The Federal Government has responded initially by recognizing the problem, working with Senator Domenici and you. Almost, I wouldn't say exclusively, but certainly as leaders of the efforts to bring attention to this part of the United States, they have responded with a special long-term operation which we call Operation Alliance, of which one of its general characteristics is increased resources being put into the drug effort on the Southwest border.

Approximately 1,700 additional Federal officials have been placed here over the past 18 months of which approximately 1,000 are Customs officers. Three additional capital assets are going to be placed into the operation, namely sophisticated planes and sophisticated radar E–2C's and P–3's which are being developed to have the same radar capabilities as the E–2C's. We are planning on putting aerostats across the Southwest border, two of which will be in Arizona and one of which will be in New Mexico.

Our Operation Alliance has been underway now for 1 year. The third, and probably the most important aspect of Operation Alliance, is its State and local aspect. As Commissioner of Customs, I have emphasized that it is perhaps the most important aspect of customs law enforcement for Customs to work closely with State and local police and sheriff's departments because, although the Federal Government bears the primary responsibility in the narcotics business, the State and locals probably have the most expertise and the best knowledge of what's going on on the border. So I'm also very happy that Sheriff Dupnik is here to tell you how Operation Alliance is going concerning relations with the State and local officials.

As far as Arizona is concerned, we have increased our efforts here by 40 agents, 22 inspectors, 5 canine teams, and 51 air-crew personnel in the past 12 months. Aircraft available to Arizona as well as New Mexico and the rest of the Southwest border have gone up from 37 aircraft by an additional 12, and we plan another 5 coming in. So you can see that the Federal Government has, through your encouragement and assistance, placed considerable resources in the Southwest to try to address the narcotics threat.

Second, and equally important is the issue of facilitating the legitimate trade that moves across the Southwest border. The Customs Service has had extensive discussions with the business interest across the border and has undertaken a number of meetings with Mexican border officials to try to reduce some of the unnecessary blockages to freer and more efficient passage of trade across the border.

Mr. Piatt, the regional commissioner, has been personally involved in many of those activities and, I think, we can probably explore that both through your questions of him or me on this. The Customs Service has put additional resources. We're working more closely with State and local officials, and the Federal Government generally is putting enormous capital resources into here to try to secure the border, again from the threat from Mexico.

Second, we are working very hard and, I think you will be pleased to see some of the progress we're making to move legitimate trade more quickly across the border. I would like to introduce Mr. Rosenblatt from Washington who is the Assistant Commissioner for Enforcement who, perhaps, will be able to answer some of your questions as well. Thank you very much.

Senator DECONCINI. Mr. Piatt?

Mr. PIATT. Yes, sir.

Senator DECONCINI. Do you have a statement, please?

Mr. PIATT. No; I don't, sir.

Senator DECONCINI. You don't? OK, very good. Mr. von Raab, I have a number of questions which I'll just go ahead with and I think your regional commissioner can be helpful. Mr. Regional Commissioner, the international trade study of the impact of increased United States/Mexico trade on the Southwest border development, page 113 to be specific, outlines six major Customs procedures at the border ports of entry that inhibit the movement of persons, vehicles, and goods from Mexico. I would like to quickly read them and then ask you to respond and then submit additional information for the record.

No. 1, the Projects Exodus Program and added export license review are especially a problem for the twin plants exporting raw materials to Mexican plants. Licenses are issued by the Department of Commerce in Washington but the trading community at the border can effectively deal only with local customs personnel.

No. 2, requirement for shippers' export declarations are said to be overzealously enforced. One summation describes the customs seizure of one truck which was part of a two-truck carrier van covered by a single declaration, based on the lack of a separate form. Very precise procedures for enforcement of textile and apparel restraints have been viewed as extremely harsh in this community, and almost to the extent of being arbitrary and mindless. Maybe you can respond to that.

According to many comments that we receive, customs clearance can, in general, only be obtained during fixed hours rather than on a 24-hour basis. And it is often asserted here in this community that increased inspection requirements for illegal drugs are resulting in significant delays and in the temporary closure of some border ports of entry.

And last, Mr. Commissioner, when the United States Customs Service procedural changes occur and are believed to have adverse affects on transport or trade, Mexican customs officials may take corresponding action, adding to the requirement and delay inherent in going from the United States into Mexico.

If you can respond to some of them it would be appreciated. These are questions that, for a long period of time, have been brought to our attention continuously by our constituents. I realize there are specific problems, but perhaps you could help us, Commissioner, with them.

Mr. VON RAAB. Well, with respect to the first two, Operation Exodus and licensing requirements, there are obviously a lot of reasons why we require licenses for goods leaving the United States, primarily to protect our critical technologies from leaving the United States and getting into the hands of unfriendly countries. However, there is no reason that that should end up as an irrational exercise; and as for the problem you just raised, Mr. Piatt and I were just consulting here. I think we can look into that issue and try to clean up any unreasonableness as long as the business interest realizes that there are legitimate needs on the part of the U.S. Government to ensure that some items do not leave the United States without proper licensing.

Senator DECONCINI. I'm satisified, Commissioner, that the business community is aware of that and perhaps some of that needs to be emphasized more by the Customs people here. But anything that can be done to deal with only the legitimate concerns of these licenses would be very helpful. I don't know if you've had this problem in other places, Commissioner, in your region.

Mr. Piatt. Some of it just comes down to common sense. We have a new district director here, Mr. Frederick Lawrence, who is very capable. We have a new district manager in El Paso. What we'll be doing is having meetings with the Mexican officials; we need to do that and try to work out these problems so that they don't become festering problems.

Senator DeConcini. If you could look into the balance of these questions and submit them to us, it would be very helpful. Also, Commissioner, committing more operations staffing along the Southwest border would put more law enforcement personnel on the Southwest to fight drugs.

We made a good start toward beefing up interdiction. We still have a lot to do, in my judgment, but a major part of this hearing is to find out what you've been doing or not doing, as the case may be, to put more commercial operations staffing to process cargo facilities, and to handle the legitimate trade across Mexico.

Frankly, there just is not enough manpower devoted to processing commercial trade. Can you tell us what you've done in the last 4 years and what you plan in the next year, at least as far as the Southwest borders are concerned, to enhance the capabilities of commercial trade?

Mr. von Raab. Mr. Piatt can give you some of the specifics. All I would say is that over the past 18 months, we have put virtually, I would say, 70 to 80 percent of all of our discretionary resources into the Southwest border. So we have increased our efforts here as much as possible within the physical limits of what we have. So we have tried to ensure that resources went to the Southwest border first and Mr. Piatt can give you a sense of what has happened.

Mr. Piatt. Senator, I can confirm that my previous assignment was in the north and I was really envious of all the staffing that was coming down here. The staffing in this area has gone up by 50 percent in the last 2 years, both in the inspector force and the import specialist.

Senator DeConcini. How much of that is on the commercial side; do you know?

Mr. Piatt. The commercial side went from 8 to 12 just this year. We put four clerks on to handle the other points. We have four cargo processing——

Senator DeConcini. In this district?

Mr. Piatt. That's in Arizona.

Senator DeConcini. Are those positions filled now?

Mr. Piatt. There may be a few in the pipeline but essentially they're filled.

Senator DeConcini. Are you planning any more?

Mr. Piatt. That's up to what I get [illegible] additional resources. If I have more, you'll get more.

Mr. von Raab. We can't answer that until we see what our budget is.

Senator DeConcini. What about——

Mr. von Raab. We really can't commit to anything more because we don't have a budget.

Senator DeConcini. What about in New Mexico, have you added any there?

Mr. Piatt. We've added several inspectors at Columbus. We also have a very small office at Antelope Wells, and we have no need to add to that. We have an office in Albuquerque for enforcement where we greatly beefed-up that, as well as Las Cruces.

Senator DeConcini. Commissioner, could I impose upon you to give us a detailed breakdown on what the commercial staffing was, both in New Mexico and Arizona; perhaps in the whole Southwest region, say 4 years ago and what it is today, and what you're asking for?

Mr. von Raab. Would you like that for the record?

Senator DeConcini. Please, for the record.

Mr. Piatt. We would be glad to do that.

Senator DeConcini. Commissioner, on September 16 this subcommittee is going to markup its fiscal 1988 Customs appropriations bill. I intend to recommend to the subcommittee, with the assistance of Senator Domenici, if he concurs, a major commercial operations staffing enhancement program. Hopefully, it will result in more Customs commercial people being sent across the Southwest border, not just here in Arizona. I'm going to recommend funding for an additional 1,700 commercial operations positions, including over 800 additional inspectors, 300 additional import specialist, and 600 additional technical airport support personnel.

These positions would be over and above restoration of the Reagan proposed budget cuts for Customs. I'm glad you're smiling.

If the Congress and the President ultimately approve this plan, can you give us some idea of where you would locate these people along the Southwest border?

Mr. von Raab. We certainly would be happy to do that, for the record.

Senator DeConcini. OK.

Mr. von Raab. As those numbers are not known to us nor are they certain, we do not have a specific plan to deploy those numbers but otherwise we would, certainly.

Senator DeConcini. Based on what I just told you, and assuming we are able to get the funding, would it be possible for your staff to submit a preliminary proposal on where you might put these additional staffers?

Mr. von Raab. Absolutely, yes.

Senator DeConcini. I'm interested in being fair; that these positions are available for all Customs commercially, but I certainly want to see the Southwest progress.

Commissioner, this is my last question, but I have others that I will submit. Commissioner, you're the chairman of the newly formed Interdiction Committee of the Drug Policy Board. You're the top person in interdiction and the so-called war on drugs. I'm informed that cooperation problems with your former arch rival Coast Guard has been overcome, and quite frankly, to your credit and Admiral Yost. Admiral Yost and I applaud you for putting the real interest of interdiction first and the jurisdictional demands of job and responsibility second. I think you have done a very good job and I want to compliment you.

Can you tell us candidly what problems you are still having with the Immigration and Naturalization Service [INS]. I have heard from several sources that there is a problem. I'm not trying to cause any problems, but I am trying to find out what Congress might do to help in this matter. You and Admiral Yost are putting together a very effective effort.

Mr. VON RAAB. I am not aware of any problems in Operation Alliance with INS from the narcotics perspective. As a matter of fact, Customs is providing training for cross designations of 2,850 border patrol agents throughout the Southwest borders to use a limited form of the Customs border search authorities.

The only problems I'm aware of with INS has to do with the border staffing at the ports of entry. There, because of different practices, and apparently different, I guess fewer, resources if that's the case in INS, we often do find that Customs is doing the bulk of the staffing on the borders where it's supposed to be a 50-50 arrangement.

Senator DECONCINI. Do you meet and work with Director Nelson?

Mr. VON RAAB. I met with him in the context of the committee structure of the National Drug Policy Board.

Senator DECONCINI. Would you say that the cooperation between Customs and INS is as good as it is with Customs and Coast Guard today?

Mr. VON RAAB. The cooperation between the border patrol and the Customs Service is very good. I think that cooperation between INS and the Customs Service with respect to the normal inspection functions on the border is acceptable.

Senator DECONCINI. And what do you think can be done to improve that which is not acceptable? I take it you are still a little some hesitant.

Mr. VON RAAB. One, I think, is that we just started to use the same data base.

Senator DECONCINI. You don't do that now?

Mr. VON RAAB. We don't.

Senator DECONCINI. Has that been provided?

Mr. VON RAAB. We are looking at that right now with OMB, which they call NAILS. I'm not sure what the acronym means, but it's basically their lookout.

Senator DECONCINI. Is INS receptive to NAILS?

Mr. VON RAAB. They've joined the study. And I believe I had a conversation yesterday with Deputy Attorney General Burns, and he's aware of this approach.

Senator DECONCINI. That's No. 1. Do you have anything else?

Mr. VON RAAB. I think that we still have the issue of how much staffing across the border——

Senator DECONCINI. Have you worked toward that?

Mr. von Raab. We're working toward it, but it's not resolved, and that causes some commercial problems.

Senator DeConcini. It does?

Mr. von Raab. There are not enough lines open You get into some bureaucratic tugging and pulling because the Customs Service occasionally feels that it has certain responsibilities to fulfill, and they don't want to go in and do INS' job on the border, although we usually do it because we don't like to see lanes left closed.

Senator DeConcini. Do you feel that you have a good working relationship with Mr. Nelson?

Mr. von Raab. No, sir.

Senator DeConcini. And can you talk about these things?

Mr. von Raab. We are not particularly friendly.

Senator DeConcini. Are there any suggestions that you have to enhance that friendliness, such as, a committee among yourselves?

Mr. von Raab. I think the professional relationship is fine, certainly good. The Drug Policy Board Committee structure, I think, is basically bringing about as good a cooperation as you can expect.

Senator DeConcini. Well, I'm going to urge that you and Mr. Nelson become as friendly as you and Admiral Yost.

Mr. Piatt.

Mr. Piatt. I'd like to give you a comment on that. I've been in my new position here for the last 4 months, and I just met last Monday with Steve Martin, who is a regional commissioner for Immigration who handles the taxes in Mexico, New Mexico area, and I found him to be a very reasonable person who is very sensitive to straight issues. And we met with the trade 2 weeks ago in Texas. And before we met, we agreed on certain policies that we would issue jointly, one of which was don't keep the cars that are trying to go through the primary lines; hold them in the secondary routes so you can keep the traffic flowing that affects the commercial traffic directly because in many, many cases, trucks are in the same lanes that the passenger cars are in. So we're trying to work with them on these issues.

Senator DeConcini. Senator Domenici?

Senator Domenici. I'm very concerned about whether you're friendly with Mr. Nelson or not.

Mr. von Raab. The point I was trying to make is that I think the cooperation between the agencies is good.

Senator Domenici. I mean, if there's a lack of friendliness, which one of you is most unfriendly?

Mr. von Raab. I'm a very easy-going friendly guy.

Senator Domenici. We'll talk to Mr. Nelson about that. Let me ask you with reference to cargo enforcement, is the local trade community working with you to determine how they can monitor their own shipments between the United States and Mexico to prevent their use for illegal drug smuggling activities and is anything significant being done on that front?

Mr. PIATT. Yes; they are. And I would say with reference to the maquiladoras, they are very interested in not being used as a convenience for narcotics being smuggled into the United States.

We have a number of meetings with maquila people. We've had some agreements signed by them where they will take preventive measures to ensure that narcotics aren't smuggled in through their shipments. So we find the cooperation with them to be very high.

Mr. VON RAAB. Now, in the interest of both the Government and the business interests, it is better to work on the drug problems because the more comfortable we are with the shipments coming across the border, the less inspection it will be subjected to and, therefore, the more freely it will move across. There's a good potential there for cooperation.

Senator DOMENICI. Senator, let me just say I failed in my initial response to your proposition with reference to our appropriations bill, in terms of numbers of new Customs people that you wanted to try to fund in that bill. Let me just say for the record that obviously you and I know that there is a constant pull and tug on where the resources of this country go. We do have, fortunately for starters, a sufficient allocation to our subcommittee to accomplish the goal you set out. If it remains in effect, and you can count on me to be fully supportive of that effort, we can achieve the goal that you just elaborated for the Customs Service. Let me ask, Mr. Commissioner, a question with reference to border facilities. Obviously we're talking about problems here that are across the entire spectrum of problems. But clearly, you don't have to be involved very long in this work to find that the border facilities of the United States in many respects are a disgrace to a nation such as ours. We have facilities at border crossings and in this Nation on the Southwest border that, frankly, don't do our country much justice in terms of their vintage, in terms of their inadequacy.

Senator DeConcini and I have been seriously considering a major effort with reference to all of the border crossing facilities. This is a very difficult and open investigation. But could you just, in summary, indicate to us whether you feel there is a substantial need for a major construction program to modernize facilities at the border to accomplish the dual, sometimes triple, mission that those border facilities have? And if you do, do you have some preliminary ideas about how much that might cost? Second, when might we be able to proceed with certainty of evaluation from your standpoint?

Mr. VON RAAB. I would ask Mr. Piatt to address your question. He is more clear on this than I. I would say that the border facilities are not necessarily in a state of disrepair but obviously they're obsolete and, in some cases, there are some that are in disrepair.

Senator DECONCINI. Right.

Mr. VON RAAB. My guess is that probably it would cost in excess of $100 million to deal with those. But I would ask Mr. Piatt to give us a little more detailed sense of the facilities.

Mr. PIATT. Senator, we have facilities along the New Mexico/Arizona border that range in age from 3 years old to over 50 years old. The 50-

year-old facilities are very nice, very quaint, nice to take a photograph of but not particularly efficient facilities to process cargo or people coming through.

Probably the worst situation that we have is Columbus, NM, which is on the drawing board to start construction in January 1988 and, I guess, it would be completed 1 year from then. Probably after that, the primary area is El Paso. The import lot in El Paso is vastly inadequate to do the job. We've got some stopgap improvements for El Paso that will be completed next spring; that will provide us with some line release moves that will enable us to move traffic through there quicker.

The Grand Avenue facility here at Nogales is something that should be totally redone. You're coming right into the middle of an existing city and there will need to be some work done in that area. In Laredo, TX, for example, the city is paving land that belongs to GSA so they will deduct the time of the import lot there so there are a lot of facilities that need to be improved. We will certainly make best use of the facilities that we have; we'll always do that. I'll give an example of what I mean. The newest facility is in San Luis, AZ. After it was completed, San Luis found there was still a problem with the truck traffic which was having to cross all the car traffic coming into the compound. So we've just remodeled that facility where the truck traffic comes into a straight entrance and does not have to cross all the vehicle traffic so that one move has facilitated both the commercial interests and the public coming across.

Senator DOMENICI. But in any event, the chairman and I could have at least a tentative, faster plan for the total renovation, if not in all detail, sufficient for us to start a congressional discussion. We could have that within a few months, could we not?

Mr. VON RAAB. You could certainly get it from the Customs Service, what it felt the requirements were and its comments. The General Services Administration [GSA] is far good or far worse. They are responsible for the construction so I don't want to speak on their behalf. We can certainly provide you with our feeling and our rough estimate, but they couldn't be regarded as the Government's position until GSA either enforced them or did their own review.

Senator DOMENICI. My last two questions have to do with the effectiveness of our efforts with reference to drug smuggling.

In June, the GSA issued a rather lengthy report. I'm not going to read it. It essentially concluded that, even with the increased resources for drug interdiction authorized by the Anti-Drug Abuse Act of 1986 which will fill some gaps in the present interdiction system with equipment and staffing, the smugglers have responded successfully to changes in the interdiction system in the past and may continue to do so. Do you agree with this statement? If not, why not? It really bothers me that the smugglers may be beating us. We provided $1.7 billion for the war on drugs last year; a significant part of that was for interdiction efforts. My second question is do you believe that adequate resources have been provided for the intelligence operations and other drug enforcement efforts, compared to the resources provided for interdiction?

Mr. VON RAAB. Well, with regard to the first question, the smugglers are always going to respond by changing their tactics. There's an implication by the General Accounting Office [GAO] that they respond by changing their tactics and are thwarting the Government's efforts to crack down on interdiction. I disagree with that, because whenever smugglers change their tactics, they necessarily have to use techniques and methods that they didn't want to use before, which means that we're pushing them to take higher risks or, as we like to say, we're pushing them to the ragged edge, at which point they're going to start to make more mistakes and find themselves being arrested more often and losing more of their loads. That's happening. The unfortunate part for the Southwest is that our success in the Southeast has caused the smugglers to change their tactics and begin to bring cocaine through Mexico, which they hadn't done before. Unfortunately, the heroin production in Mexico is way up, so our Southwest problems have increased because of the smugglers changing their tactics from the Southwest.

I believe that the resources that are contained in this year's budget are about as much as the Federal agencies can manage. There is a limit as to how many personnel and how many new pieces of equipment a Government organization like the Customs Service can bring on responsibly. And the Congress has been very generous and we have responded accordingly. The Customs Service has gone up from 12,000 to 16,000 men and women over the past 4 years or so. That's quite a strain on an organization.

We are going to deploy 250 million dollars' worth of assets across the Southwest border; that's a tough job. We're working closely with the Defense Department in doing that. So I'm comfortable right now with the level of resources that we have on hand and on the planning board. I have yet to see what will happen next year or the year after that. I have to wait to see what the budgets are before I can really respond to your question.

Senator DOMENICI. And the second issue, intelligence resources versus operations.

Mr. VON RAAB. The Customs Service has always been a complainer when it comes to intelligence provided to it to affect interdiction.

I think the situation is improving. Other Federal agencies are providing us with more and better intelligence. The kind of intelligence the Customs Service needs is particularly hard to get, because we don't just want to know who is bringing drugs across the border, but we want to know when, how, and where. Unfortunately, that's often not the kind of intelligence that the Central Intelligence Agency or the National Security Agency or Drug Enforcement Administration and a number of the other organizations in the natural course of business collect. So the Customs Service, I think you will find, is complaining about not having good enough intelligence. It's not because it's critical or the agency thinks the others are doing a bad job but because it has a requirement that's hard to fill.

Senator DOMENICI. Well, my last question is one, by way of an observation, and I share it with Chairman DeConcini.

While we continue with our efforts and, say we're going to continue this so-called war on drugs, we're going to continue to try to enhance in dramatic ways the staffing and equipment to do a better job, relating military kind of equipment to your needs and to the border's need.

It seems to me that we need at regular intervals some way of measuring success. I'm sure we will hear of some success stories as we have our hearings, but I urge that wherever you can and however you can and in an observing manner, that you begin to prepare and get to us evidence of success.

Now, I understand we're shooting at floating targets. I mean, you do well in the Southeast and they move to the Southwest. We'll load up the Southwest and what happens next? Nonetheless, we have to continue the war on drugs. And for us to sustain the resources, you have to have a few field victories of significant size that are measurable. We have to take that to the floor and to the committee and tell them we put a billion seven more and it's doing something. And it can't only be measured by manpower, it has to be measured in results.

I just leave you with that thought. I'm absolutely sure that you're succeeding, at least relatively speaking, compared to 5 or 6 years ago in many measurable ways. But I hope you continue to try to develop evidence for us that this war is one that, in bits and pieces on different fronts, has had some victories. I hope you do that for us.

Mr. VON RAAB. We're just about 1 year into Operation Alliance. The seizures, which are your typical measure of success, are impressive. Operation Alliance totals 250,000 pounds of marijuana and about 16,000 pounds of cocaine; that's very good. Of course, one may compare it to what may be coming in and set some sort of formula for measuring success. Any such formula has a big unknown in it and that unknown is production outside the United States. When we establish some formula for measuring success, I strongly recommend that someone also try to establish a formula for measuring the success of foreign countries in which narcotics are produced because as improved as our interdiction is getting, which I estimate to be 10 times better than it was 5 years ago. I think that's probably a fair statement, but I also suspect that the foreign countries are producing 20 or 30 times what they were 5 years ago.

Senator DOMENICI. Thank you very much.

Senator DECONCINI. Thank you, Senator Domenici. Let me say that, along with the recommendation the Senator and I are working on for commercial personnel, he has played a major role in influencing members on the allocations, and I thank him for his effort.

We are also working on a border facility package, and we will be putting something together in the neighborhood of $83 million in our markup, which will include $3.3 million for Nogales and substantial funds for New Mexico.

Mr. Commissioner, while you're here, let me ask you to review for the record what we discussed last night in Tucson and yesterday morning in Phoenix regarding cooperation and lack thereof on the enforcement side with the Mexican Government.

Just 4 years ago, Regional Commissioner Donald F. Kelly testified in September 1983 that the cooperation with Mexico was very successful, was unsurpassed, was exceptional; and those are the words he used. Yet, yesterday we heard some very disturbing remarks. You mentioned something yesterday in Tucson about the lack of that cooperation. Can you give us a summary of what you're viewing as it relates to cooperation with Mexico on the drug enforcement side of the issue?

Mr. von Raab. It's an interesting phenomenon for a Federal official to deal with some of these foreign issues. You seem to go through a cycle.

When I came into the Government, I really didn't know much about the cooperation of Mexico and cooperation by the State Department. We spent 2 years working very hard to develop cooperation with Mexico, and the meetings went very nicely. We talked about a lot of good ideas and we agreed upon a lot of good ideas. I would have said at that point that cooperation was great because all these ideas were out there, and we were all going to do them. The problem was that there was no delivery from the Mexican side. Then I went through a period of frustration in which we had all these good ideas and nothing was happening. After that, I began to believe that maybe nothing ever would happen because so much time had passed and the good ideas were now yellowing in file drawers somewhere.

I think what you caught there was Mr. Kelly on the final piece of feeling that something was going to work out. It hasn't worked out, and I'm referring to the law enforcement side. We just haven't received any measurable cooperation from Mexico. Certainly there are instances of local Customs agents here, DEA agents or local Mexican officials who work on a particular case and it works out well. But if you're asking, is there a measurable program of nationally or locally implemented cooperation on law enforcement, the answer is no.

Maybe once again I'm the optimist, but I think on the commercial side, in terms of facilitating trade between the United States and Mexico, I think that we see some real potential for success there because of the incredible dependence upon Mexico and on the United States for a good economic environment. There the business profit motive is driving cooperation. Unfortunately on the law enforcement side, it's a cut.

Senator DeConcini. Thank you. One last question, and this will only take a yes or no, Mr. Commissioner.

Mr. von Raab. Those are the worst kinds of questions.

Senator DeConcini. And I'm going to try to put you on the spot regarding the Lukeville, AZ, port of entry as we have discussed in my office.

I've been urging your office to keep the facility open 24 hours a day. In light of increased commercial traffic and increased drug activity between Lukeville and Ajo, AZ, I firmly believe that a permanent round-the-clock presence at Lukeville will have a double effect of facilitating commerce and deterring drug traffic.

Can you make my day, Mr. Commissioner, by telling us that you can keep the port of entry open round the clock.

Mr. von Raab. I can make one-half of your day. We agree that there should be a round-the-clock presence, particularly from an enforcement perspective. There is a question whether or not we could handle cargo 24 hours a day.

Senator DeConcini. OK.

Mr. von Raab. We're aware of it. That is a very difficult part of the border, and I think it's one that does require certainly more law enforcement presence around the clock because, I believe, it is near where Patrol Officer Miles was killed.

Senator DeConcini. A lot of aircraft; one of your agents was killed.

Mr. von Raab. No question about that. I just can't answer in a final way whether we could have cargo come across. But certainly we are planning to put in law enforcement.

Senator DeConcini. You're planning to go 24 hours with law enforcement, so that's one-half; that's the yes, and the other one is you're thinking about it?

Mr. von Raab. Yes.

Senator DeConcini. That's good enough, Commissioner. Do you have any other questions?

Senator Domenici. I might just ask the Commissioner if you don't have a thought on this; it's more or less something that you brought up in response to one of my questions, an objective to measuring success.

Clearly, we're going to find something in terms of what you've described, but what should change with reference to American policy versus foreign countries that are permitting dramatic increases in drug activities in their countries that end up coming to the United States?

Mr. von Raab. That is a question for the State Department, and the last thing that I want to do is find myself crossways with the State Department again. However, I do think that this is our Government, and it's probably trying to do this. We should show a firmer resolvement with respect to the production and shipping of narcotics into this country.

I'm not sure that the normal State Department attitude of trying to make problems look as small as they are is necessarily the way to go about this. I think that Ann Wrobleski, for whom this is a responsibility, is aware of this. But I do think the State Department approach in which they try to make mole hills out of mountains is not an effective technique. I would like to see us, whatever the techniques are, start to put more pressure on these countries. What always concerns me is that we always play down the production problem and play up the drug abuse problem in the United States.

Drug abuse is a serious problem and should be addressed, and we should do everything we can, but we constantly let foreign governments sit there and tell us that it's our problem and that it's not their problem.

I always remember a conversation I had with President Bentancourt of Columbia when he was about to leave office, that Columbia had made one big mistake from which he thought they would never recover. He told President Garcia, who was coming into Peru, about this. "Whatever you do, don't pretend that it's a problem outside of your country. Don't blame it on the United States or," he says, "you're going to find you're going to lose control over your own issues." Unfortunately, too many foreign countries take that approach. I'm not excusing the drug problem in the United States, but I am saying it should not be used as a copout by foreign countries to explain their lack of management and enforcement of their production and shipment problem.

Senator DECONCINI. Mr. Commissioner, I couldn't agree more and I think you put it very distinctly as to how damaging it is to those countries, and how they can lose control as Columbia has. That's a good point. Thank you Commissioner very, very much. I appreciate your testimony here.

Our next witness is Mr. B. Timothy Bennett. Mr. Bennett will hopefully be able to give the subcommittee a good review of the economic conditions along the Southwest border, progress of the maquiladora program and how it affects the border regions, and what the prospects are for increased United States/Mexico trade across our borders.

I intend to ask Mr. Bennett about the maquiladora program and other issues affecting the border. Mr. Bennett, we are greatful that you are here today and that the U.S. trade representative, Mr. Yoder, agreed to send you 3,000 miles, which is significant of his commitment. You are the expert in that area; and you will be representing the trade office here and in Las Cruces, NM, tomorrow.

Our trade relations with Mexico are extremely important to this country as a whole but very, very important to this particular State and our State next door. Although this subcommittee is primarily responsible for funding our most important border agency, the U.S. Customs Services, we are interested in all aspects of the situation along the Southwest border and what can be done to enhance the climate there.

PREPARED STATEMENT

I noticed your statement is substantial in length, Mr. Bennett. Let me assure you it will appear fully in the record, but due to time, we ask you to summarize it and then we have some questions.

[The statement follows:]

STATEMENT OF B. TIMOTHY BENNETT

My name is Tim Bennett and I am Deputy Assistant United States Trade Representative for Mexico. The Office of the United States Trade Representative appreciates the opportunity to appear before this committee to discuss measures taken to facilitate the flow of legitimate trade between the United States and Mexico. I would first like to present an overview of our bilateral trade and investment relations before discussing the specific details of the environment in which that trade takes place.

OVERVIEW OF UNITED STATES/MEXICO TRADE AND INVESTMENT FLOWS

The United States is by far Mexico's largest trading partner. The United States supplied 67 percent of Mexico's total imports in 1986, while roughly 62 percent of Mexico's total exports in 1986 were destined for the United States market.

Mexico also is an important trading partner for the United States. In 1986 Mexico was our fourth largest trading partner overall, ranking behind only Canada, Japan, and West Germany. Total two-way trade in 1986 was $30 billion. In earlier years Mexico had ranked as our third largest trading partner overall, but last year's precipitous drop in petroleum prices caused the country to fall to fifth place in terms of the value of imports it supplied to the United States market. The following table shows the two-way trade flows and the balance in merchandise trade between the two countries for the 1981–86 period:

UNITED STATES/MEXICO BILATERAL TRADE

[In billions of dollars]

	1981	1982	1983	1984	1985	1986
United States exports to Mexico	17.8	11.8	9.0	12.0	13.6	12.4
From Mexico	14.0	15.8	17.0	18.3	19.4	17.6
Total	3.8	(4.0)	(8.0)	(6.3)	(5.8)	(5.2)

SOURCE: Bureau of the Census, U.S. Department of Commerce.

Prior to the onset of Mexico's financial crisis in 1981 the United States traditionally maintained a trade surplus with Mexico. Beginning in 1982, our bilateral merchandise trade fell into a deficit situation. The magnitude of the deficit peaked in 1983 and has moderated gradually since that time. While United States exports to Mexico have not regained the high level achieved in 1981, they have rebounded somewhat from their lowest level in 1983. In 1986, United States exports fell, as did Mexico's imports overall, reflecting the 3.5-percent contraction in Mexico's economy. With the Mexican Government projecting a 2-percent growth rate for 1987, prospects for United States sales to the country look somewhat brighter this year than they did in 1986. In fact, United States exports to Mexico so far in 1987 have increased 5.5 percent over 1986 levels.

United States imports from Mexico have grown steadily, with the exception of 1986, with an average annual rate of increase in imports by value of nearly 9 percent for the 1981–85 period. The decrease in the value of United States imports last year was due to the sudden drop in the value of Mexico's petroleum exports during the first half of 1986.

Despite the drastic decrease in the value of Mexico's petroleum shipments, which traditionally accounted for more than one-half of Mexico's export shipments and as much as 70 percent of the country's foreign exchange earnings, Mexico made impressive gains in 1986 in increasing nonpetroleum exports. The country's exports of manufactured goods and agricultural products were up 34 percent in 1986 relative to 1985, and statistics for 1987 indicate that manufactured exports have increased 50 percent compared to the same period in 1986. Even though the value of Mexico's agricultural exports are down in early 1987 relative to 1986, largely due to decreases in the price of coffee and tomatoes, these statistics reveal that an important change in the product mix of Mexican exports is taking place. Should this increasing diversification in Mexico's export sector continue, it would mean greater stability for the Mexican economy in spite of the vagaries which may occur in world petroleum or agricultural commodity markets.

Major United States exports to Mexico in 1986 included auto parts, electronic tubes, electrical switches, office machinery components, and soybeans. Principal United States imports from Mexico in 1986 were crude petroleum, coffee, automobile engines, and other automobile parts.

The United States has consistently registered surpluses with Mexico in services trade, providing a partial offset to the merchandise trade deficit in our current account balance. In 1985, the overall surplus in bilateral services trade was nearly $1.7 billion. This trade is characterized by tourism dollars flowing south and interest payments on Mexican debt flowing north.

Mexico is the 13th largest destination for United States direct foreign investment, even though total foreign direct investment accounts for only 4.5 percent of all investment in the country. Currently, the United States direct investment position (cumulative) in Mexico is estimated at about $5 billion. The big three auto companies all have extensvie investments in Mexico, as do a number of United States companies in the chemical, computer, and tourism industries. The United States holds the largest share of direct foreign investment in Mexico (about 60 percent of the total), followed by Switzerland (9.9 percent), the Federal Republic of Germany (9.3 percent), Japan (6.3 percent), and Canada (2.5 percent).

United States direct foreign investment position in Mexico

	Billions
1981	$7.0
1982	5.6
1983	5.1
1984	4.6
1985	5.1

UNITED STATES/MEXICO TRADE AND INVESTMENT RELATIONS

The major objective of United States trade polcy vis-a-vis Mexico has been and is to reduce to a minimum barriers to the flow across the border of trade in goods and services and investment capital. In other words, the administration's goal has been to improve the environment in which commercial and investment relations are conducted. We are pleased that substantial progress has been made in the last 2 years toward reducing Mexican trade barriers. Although some of that progress resulted from discussions with the United States, much of it resulted from trade reform measures taken unilaterally by the De la Madrid administration as part of its effort to encourage restructuring of the Mexican economy toward an export orientation. Thus, while implementing certain economic reform measures for its own internal reasons, Mexico has simultaneously reduced or even eliminated certain trade barriers that have been longstanding sources of bilateral irritation.

Import licenses, high tariffs, and official reference prices for customs valuation purposes (minimum import prices) are the three primary market access barriers to Mexico. All three have been subject to significant liberalization over the past 2 years. In mid-1985, 4,513 tariff lines in the Mexican tariff schedule (about 8,150 total tariff lines) were subject to import licensing requirements. That number has been gradually reduced to 434 tariff lines, with the most recent licensing requirement eliminations having been announced in late July. The United States believes that many of the remaining licensing requirements are GATT incompatible and hopes that further liberalization will be implemented later this year.

There have also been major reductions in Mexican tariffs over the past 14 months. In May 1986 Mexico implemented the first phase of a four stage tariff reduction program that affects most Mexican tariffs and will result in a maximum applied tariff of 30 percent by October 1988. These unilateral tariff reductions are in addition to the bound tariff reductions made by Mexico as part of its accession to the GATT in 1986. Unfortunately, the major devaluation of the peso over the past year has eroded for the time being much of the commercial value of reduced Mexican tariffs. Even in good times a 30-percent tariff is oftentimes prohibitive. Thus, the United States intends to seek further reductions in Mexican tariffs of particular interest during the Uruguay round negotiations.

There is also positive news with respect to official reference prices. As part of its accession to GATT, Mexico committed to the total elimination of this protectionist tool by the end of 1987. Since last summer Mexico has reduced the use of official prices from about 1,200 tariff lines to 53 by the end of this July. In addition to this accelerated phaseout prior to December 31, 1987, Mexico has also reduced the amount of the official prices that are currently still in effect.

The significiant measures taken by Mexico in reducing licensing requirements, tariffs, and official reference prices have all improved the bilateral trade climate, promoted a freer flow of goods in the border region, and reduced the incentive for smuggling.

In addition to the improvements in market access described above, the United States and Mexico are in the final stages of negotiating a bilateral framework agreement on trade and investment. The major aim of this agreement is to establish certain principles which would apply to the bilateral trade and investment relationship and create a consultative mechanism which can be used to clarify respective trade policies, resolve specific disputes, or negotiate the reduction or removal of barriers. This agreement would supplement the principles and mechanisms provided by the membership of both countries in the GATT. It is recognition of the fact that GATT doesn't cover all trade issues and covers investment issues inadequately. The bilateral agreement is also reflection of the size and importance of our bilateral economic relationship. Problems are normal when so much trade is flowing across the border. The bilateral agreement will establish a mechanism for addressing those problems before they escalate to politically difficult proportions. It is a concrete attempt to add further stability to the bilateral trading relationship and a concrete signal to our respective private sectors that the two governments are committed to at least attempting to resolve trade problems in an expeditious manner.

There is no question about the importance of 806.30/807.00 trade between the two countries. United States companies have made extensive use of the Mexican maquiladora program. Earlier this year there was some preliminary consideration given by certain Members of Congress to modifying or eliminating U.S. tariff provisions 806.30/807.00. A few weeks ago, Congressman LaFalce introduced legislation to terminate these tariff provisions. The administration is opposed to any such modification or termination. We continue to believe that offshore operations using these two tariff provisions are, on the whole, of net economic benefit to the United States. The U.S. International Trade Commission is currently studying the economic impact on U.S. production and employment of the use of these two tariff provisions. That study, which was requested by the House Ways and Means Trade Subcommittee, should be ready by the end of the year.

Inadequate intellectual property protection can be a major disincentive to marketing technologically advanced products in a country or to investing to produce such products in a country. The United States believes that certain provisions of the Mexican patent and trademark law are inadequate, especially provisions in article 10 of that law that postpone product patent protection for certain subject matter for 10 years. An amended patent and trademark law which contains many improvements was implemented by Mexico in January of this year. However, it failed to address sufficiently certain serious shortcomings, such as the one referred to above. The United States intends to discuss these problems in detail with the Mexican Government under the framework agreement consultative mechanism.

A trade problem of particular concern to the border region is the inequality of access for trucking services between the United States and Mexico. Many Mexican trucks and drivers are able to operate in United States border regions, while United States truck cabs and drivers are, in general, prevented from operating in Mexico. The United States has responded to this inequitable situation by limiting Mexican trucking operations to commercial zones immediately adjacent to the border and by placing a moratorium on ICC operating authority for Mexican motor carriers. Unfortunately, these measures have not persuaded the Mexcian Government to liberalize access for United States truck cabs and drivers. The administration might consider seeking future consultations with the Mexican Government on this issue under the consultative mechanism of the framework agreement.

United States/Mexico trade is obviously a two-way affair, and the flow of certain goods northward do encounter certain barriers. In general, the United States market is quite open to Mexican products. The average United States tariff is 3.1 percent, with about 20 percent of Mexican exports to the United States entering duty free. There are no section 201 or 301 measures in place against Mexican exports. There are a number of antidumping and countervailing duty measures in place against certain Mexican products, but those are in response to unfair trade practices. Mexican meat exports are embargoed for health and sanitation reasons, but this import ban is currently under review by USDA. The United States and Mexico are renegotiating the bilateral textile agreement this very week in Mexico, with the United States having committed itself to taking into account the problem of 807 trade. Finally, the United States is reexamining the level of quotas under Mexico's steel export restraint agreement.

The administration will continue to do as much as it can to promote as free a flow as possible of goods and services and investment capital across the border. We are keenly aware of the importance of a strong economic relationship and intend to continue working with out Mexican counterparts to further reduce trade barriers.

This concludes my prepared statement. I would like to thank the committee for the opportunity to present this information.

STATEMENT OF B. TIMOTHY BENNETT

Mr. BENNETT. Thank you, Senator, and I will try to do that. And I certainly do appreciate this opportunity to be here and agree with your comments in terms of the importance that the administration and the Office of the United States Trade Representative respective to the United States/Mexico relationship. It is one that the administration recognizes as important and valuable to the economic and political health of both countries. I, perhaps, have somewhat of an easier task than Commissioner von Raab in that I'm going to address the question of legitimate trade. As we are involved in particular trade disputes at times, we feel that nobody can really appreciate it, but I compared it with the problem of illegitimate trading hinged on the drug problem. It certainly makes us look much easier in comparison.

Also, I fully concur with the opening comments by Senator Domenici. I have found that these trips where we actually get outside of the Washington beltway and visit the business and the private citizens and the trade organizations actually involved in United States/Mexico trade and actually limited by United States/Mexico trade provides a valuable insight on a much better understanding and, hopefully, a more sensitive response than United States policymaking.

Now, obviously, not everything I'm going to do in Washington in terms of United States policy toward Mexico, is going to be agreed with, those impacted by it, but we certainly hope that it is becoming increasingly enlightened.

There has been a complaint that we have heard in our office that Washington, and I would just limit that to U.S. trade officials, have not given enough attention to the border problems. And I would say that to a certain degree that's true. And to a certain degree there are legitimate grounds for complaint there, but we have been trying to give an increased sustained attention to Mexico.

Mexico is important to us. It is our fourth largest trading partner. We're talking about 30 million dollars' worth of trade last year and that figure should continue to grow. The United States is even more critical to Mexico. We're 60 percent—67 percent of Mexican imports come from the United States and 62 percent of Mexican exports go to the United States. We have run a trade deficit with Mexico since 1983, first time for over a 2-year period that that has happened and that trade deficits have been sustained and more than likely will continue in the near future.

Senator DOMENICI. That's probably because of oil, isn't it?

Mr. BENNETT. That is for a number of reasons, oil is one reason. The overevaluation of the dollar in the early 1980's is another reason. Increasing demand in the United States, decreasing demand in Mexico of all kinds; to that we are not upset about that trade deficit, although we do foresee that that probably will continue in the short- and mid-term. We are encouraged by the fact that the products of the Mexican exports to the United States is increasingly diversified and we hope that that is an important key, an indication that this will be a longlasting change, structure change of the Mexican economy.

Now, what our overall objective in Mexico trade relations, in trade policy, is to reduce the barriers that exist in the environment in which that trade and environment relationship takes place. This is what gets our attention. Our objective is to create a more open, more predictable and more of a stable environment in which those trades and environment relations can take place.

Substantial progress has been made in the last 2 years in environment relationships; nonetheless, it has achieved longstanding in the U.S. trade policy objectives. The best examples are in the area of tariffs, official reference prices made are used for Custom's evaluation purposes, and equal licensing requirements. These three policies have been historic since 1984 in Mexico in control of the level of imports longstanding in our bilateral trading relationship. Significant progress has been made in all three policies.

Apparently the highest tariff is about 35 percent. The highest tariff would be reduced to 30 percent by only 1988. There have been corresponding tariff reductions throughout the Mexican tariff schedule. Official reference prices; there were approximately 1,400 tariff lines 1 year ago subject to official tariff prices in Mexico. As of 3 weeks ago, that was reduced to 53 tariff lines, and they will be totally eliminated by the end of this year.

Import licenses have also been significantly reduced. Four years ago the entire Mexican tariff schedule was subject to licensing requirements; we're down 427 lines as of last Friday. Mexico entry into the GATT last summer was also another important indication of the conscious efforts being made by the De la Madrid administration to restructure and reorient the Mexican economy and Mexican trade policy. It's a step that the U.S. administration is pleased to see and one that we get encouraged for over a decade. We have continued——

Some question did come out as to how would Mexico conduct itself once it entered the GATT. What we have seen since Mexico's entry last August 24 have been very encouraging, signs of responsible conduct by the Mexican Government.

Three weeks ago the Mexican Government signed for the GATT codes of conduct, those involving technical standards and certification, import licensing, Custom's valuation practices and MIW procedures. One eight-o-six thirty-seven (180637), my comment there is that there has been some interest in the U.S. Congress in terminating or modifying these particular tariff provisions in the next tariff schedule; these are the tariff provisions. On August 7, Congressman LaFalce introduced regulation to eliminate this particular tariff provision. The administration is opposed to any termination or modification of those tariff provisions.

The trucking issue is one that both of you Senators are probably familiar with; has a long history, the lack of reciprocal treatment is a situation that we're not at all pleased with. We have unfortunately received no indication from the Mexican Government that they are yet prepared to change that situation. We've also received, unfortunately, mixed signals from U.S. private sectors as to whether or not it's an issue that they want us to push. But I think there's an increasing chance that those of us in the trade policy community will bring that issue back to the floor next year and conduct requests to conduct discussions and hopefully negotiations with the Mexican Government on that issue. What we're seeking is access for United States cabs and drivers for Mexican market.

My final comment on the—two final comments: One, there are oftentimes questions as to how open the United States market to Mexican exports and allegations that the United States is becoming a protections country. That is, by no means true. There is a lot of consideration being given in the U.S. Congress to particular pieces of protection legislation. The omnibus trade bill has a lot of provisions which the administration is entirely opposed to and which are some provisions, if which they are included in the bill, will most likely be subject to Presidential veto.

Senator DECONCINI. Do some of those affect Mexico in particular?

Mr. BENNETT. Some of those would.

Senator DECONCINI. Can you outline for us, not now but for the record, the provisions that affect Mexico and the maquiladora program in the Senate-passed trade bill?

Mr. BENNETT. All right. Would you like me to do that for the record?

Senator DECONCINI. Yes; if you submit that later, it would be very helpful.

[The information follows:]

UNOFFICIAL TRANSLATION

WASHINGTON, D.C., AUGUST 5, 1987

EXCELLENCY:

IN THE WAKE OF THE LEGISLATIVE CONFERENCE WHICH WILL EVENTUALLY LEAD TO THE APROVAL OF A NEW U.S. TRADE LAW, I WHISH TO MAKE YOU AWARE OF THE GOVERNMENT OF MEXICO'S CONCERNS OVER A NUMBER OF PROVISIONS INCLUDED IN TRADE BILL HR3 AS RESPECTIVELLY AMENDED BY THE HOUSE OF REPRESENTATIVES AND THE SENATE. MY GOVERNMENT HAS FOLLOWED CLOSELY AND WITH SPECIAL INTEREST THE U.S. LEGISLATIVE PROCESS OF DISCUSSION OF A NEW FOREIGN TRADE LAW, DUE TO THE FACT THAT ITS EVENTUAL APPROVAL AND IMPLEMENTATION WOULD HAVE IMPORTANT REPERCUSSIONS ON THE WORLD ECONOMY AS WELL AS ON DEVELOPMENT PROSPECTS FOR THE MAIN TRADING COUNTERPARTS OF THE UNITED STATES.

MEXICO HAS BEEN FOR A LONG TIME THE THIRD MOST IMPORTANT COUNTRY FOR THE U.S. FOREIGN TRADE. LAST YEAR, OUR BILATERAL TRADE AMOUNTED TO MORE THAN $29 BILLION DOLLARS AND WE ARE EXPECTING IT TO BE EXCEED $32 BILLION DOLLARS IN 1987. MEXICO IS THE LEADING SUPPLIER OF CRUDE OIL TO THE AMERICAN ECONOMY. FURTHERMORE, THERE ARE LARGE AND INCREASING U.S. INVESTMENTS IN MEXICO. MEXICO IS THE ONLY DEVELOPING COUNTRY BORDERING THE UNITED STATES, AND OUR CLOSE SOCIAL AND ECONOMIC INTERACTION MAKES IT DIFFICULT, IF NOT IMPOSSIBLE, TO IGNORE THE IMPORTANCE OF EACH COUNTRY WITHIN THE CONTEXT OF OUR RELATIONSHIP.

THE ADMINISTRATION OF PRESIDENT REAGAN IS DOUBTLESS WELL AWARE THAT SEVERAL OF THE PROPOSALS INCLUDED IN THE TWO HR.3 VERSIONS WOULD, IF ENACTED, CONTRAVENE THE OBLIGATIONS OF THE UNITED STATES UNDER THE GENERAL AGREEMENT OF TARIFFS AND TRADE (GATT) AND WOULD EXACERBATE PROTECTIONIST MEASURES , THUS WORSENING THE CLIMATE OF TENSION IN INTERNATIONAL TRADE. FURTHERMORE, SOME OF THOSE PROPOSALS COULD JEOPARDIZE THE CURRENT MULTILATERAL TRADE NEGOTIATIONS AND NULIFY THE EFFORTS BEEING MADE BY THE DEVELOPING COUNTRIES TO OVERCOME THEIR ADVERSE ECONOMIC SITUATION.

DURING THE LAST FEW YEARS, THE MEXICAN ECONOMY HAS EXPERIENCED A DRAMATIC TRANSFORMATION FOR THE PURPOSE OF OVERCOMING A SEVERE DOMESTIC CRISIS AND REDEFINING MEXICO'S TIES WITH THE INTERNATIONAL ECONOMY. THIS PROCESS -WHICH HAS REQUIRED AN IMPORTANT SOCIAL EFFORT- HAS BEEN AIMED AT RESTORING THE COUNTRY'S AABILITY TO ACHIEVE HIGHER LEVELS OF DEVELOPMENT AND TO PROVIDE BETTER STANDARDS OF LIVING FOR A GROWING MEXICAN POPULATION.

SEVERAL MEASURES ADOPTED BY THE MEXICAN GOVERNMENT REFLECT MY COUNTRY'S DECISION TO IMPLEMENT A MORE OPEN TRADE POLICY. AMONG THESE ARE THE ELIMINATION OF THE IMPORT PERMIT REQUIREMENT FOR 95% OF THE TARIFF CATEGORIES, THE REDUCTION OF TARIFF LEVELS, THE ELIMINATION OF OTHER QUANTITATIVE

TRADE RESTRICTIONS, THE APPROVAL OF A NEW LAW [illegible] FOREIGN [illegible] AND, MOST IMPORTANT OF ALL, MEXICO'S RECENT ADHERENCE TO THE GATT.

EXPORT PROMOTION IS A VERY IMPORTANT ASPECT OF THIS STRATEGY, SINCE IT WOULD BE IMPOSSIBLE FOR MEXICO TO CONTINUE SERVICING ITS FOREIGN DEBT, MAINTAINING AN ADEQUATE LEVEL OF IMPORTS AND RESTORING ITS INTERNATIONAL RESERVES, SHOULD ITS PRODUCTS NOT HAVE ACCESS TO NEW AND EXPANDING EXTERNAL MARKETS.

THE GOVERNMENTS OF MEXICO AND THE UNITED STATES ARE DEMONSTRATING THEIR CONVICTION THAT CHANGES TO INTERNATIONAL TRADE REGULATIONS ARE MATTER FOR INTERNATIONAL NEGOTIATIONS RATHER THAN UNILATERAL DECISION. THIS IS BEING PROVEN BY THE ACTIVE PARTICIPATION OF BOTH MEXICO AND THE UNITED STATES IN THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS.

THIS CONSTRUCTIVE SPIRIT WAS ALSO REITERATED AT THE XXVII MEXICO-U.S. INTERPARLIAMENTARY MEETING, IN WHICH THE DELEGATES OF BOTH COUNTRIES CONCLUDED, AMONG OTHER THINGS, THAT "THEY WOULD DO THEIR BEST TO PREVENT THE CONSEQUENCES OF PROTECTIONIST MEASURES." ALSO AT THIS MEETING, THE DELEGATES EXPRESSED THEIR RECOGNITION OF "THE PROGRESS MADE IN THE PROCESS OF COMMERCIAL LIBERALIZATION UNDERTAKEN BY THE MEXICAN ECONOMY AND THE CAREFUL AND RESPONSIBLE EFFORTS MADE BY THE GOVERNMENT OF THE U.S. IN OVERCOMING ITS COMMERCIAL DEFICIT THROUGH CORRECTIVE MACROECONOMIC MEASURES RATHER THAN BY WAY OF UNILATERAL COMMERCIAL MEASURES THAT WOULD HAMPER ECONOMIC RELATIONS BETWEEN BOTH COUNTRIES."

IN THIS CONTEXT, MY GOVERNMENT WISHES, IN PARTICULAR, TO EXPRESS ITS CONCERN OVER THE LEGISLATIVE PROPOSALS WHICH HAVE THE FOLLOWING OBJECTIVES:

1.- TO REDEFINE COUNTERVAILABLE SUBSIDIES. A BROADER DEFINITION OF COUNTERVAILABLE SUBSIDIES, AS PROPOSED IN THE TRADE BILL, WOULD IGNORE THE GENERALLY ACCEPTED INTERNATIONAL UNDERSTANDINGS AS TO WHAT CONSTITUTES A COUNTERVAILABLE SUBSIDY. SINCE THESE PROVISIONS HAVE NOT YET BEEN DISCUSSED WITHIN THE FRAMEWORK OF GATT, SHOULD THESE PROPOSALS BE ENACTED, U.S. PRACTICE IN THIS AREA WOULD DIFER RADICALLY FROM THAT OF ITS MAJOR TRADING PARTNERS;

2 - TO AMEND SECTION 201 OF THE TRADE ACT OF 1974, REGARDING TRADE OF PERISHABLE PRODUCTS;

3.- TO ESTABLISH NEW RULES OF ORIGIN FOR STEEL PRODUCTS, AND TO INCLUDE NEW PRODUCTS IN THE PRESIDENTIAL STEEL PROGRAM THAT, CONTRARY TO THE AGREEMENTS ESTABLISHED WITH THE GOVERNMENTS PARTICIPATING IN SUCH PROGRAM, WILL BE SUBJECT TO QUANTITATIVE RESTRICTIONS

4.- TO REDEFINE THE CONCEPT OF "EXPORT TARGETING" BY MAKING IT MANDATORY TO RETALIATE AGAINST "ANY GOVERNMENT PLAN OR SCHEME...THE EFFECT OF WHICH IS TO ASSIST THE ENTERPRISE, INDUSTRY OR GROUP TO BECOME MORE COMPETITIVE IN THE EXPORT OF A CLASS OR KIND OF MERCHANDISE";

5.- TO INTRODUCE NEW CRITERIA PENALIZING THE COMMERCIAL ACTIVITIES OF OTHER COUNTIRES' STATE-OWNED ENTERPRISES;

6.- TO INTRODUCE NEW CONDITIONS FOR THE INTERNATIONAL PRODUCTION AND COMMERCIALIZATION OF NON-AGRICULTURAL FUNGIBLE GOODS.

7.- TO IMPOSE A UNIFORM FEE ON ALL IMPORTS, IN ORDER TO FUND TRADE ADJUSTMENT ASSISTANCE PROGRAMS;

8.- TO ELIMINATE FROM ITEMS 806.30 AND [illegible] OF THE TSUS, OR FROM THE GENERALIZED SYSTEM OF PREFERENCES, ANY ARTICLE WHICH, AS A RESULT OF SECTION 201, IS FOUND TO BE CAUSING INJURY; AND

AS A RESULT OF THE ABOVE, AND UPON INSTRUCTIONS FROM MY GOVERNMENT, I WISH TO REQUEST YOUR KINDNESS, MR. SECRETARY, IN CONVEYING TO THE HONORABLE CONGRESS OF THE UNITED STATES THE CONCERN HEREBY EXPRESSED BY MEXICO, SO THAT IT WILL BE PROPERLY TAKEN INTO ACCOUNT DURING THE DISCUSSIONS CONCERNING THE DEFINITIVE VERSION OF THE NEW TRADE LEGISLATION.

I AVAIL MYSELF OF THIS OPPORTUNITY TO REITERATE TO YOU, MR. SECRETARY, THE ASSURANCES OF MY HIGHEST CONSIDERATION.

JORGE ESPINOSA DE LOS REYES

AMBASSADOR

ANNEX

COMMENTS MADE BY THE MEXICAN GOVERNMENT REGARDING SOME OF THE PROVISIONS CONTAINED IN THE U.S. SENATE AND HOUSE VERSIONS OF THE HR3 BILL.

1.- CHANGES TO THE DEFINITION OF COUNTERVAILABLE SUBSIDIES

THE UNILATERAL CHANGE TO THE DEFINITION OF DOMESTIC SUBSIDY, WHICH HAS BEEN PROPOSED IN THE HR3 BILL VERSIONS PREPARED BY THE U.S. HOUSE OF REPRESENTATIVES AND SENATE, DISREGARDS EXISTING INTERNATIONAL REGULATIONS ON THE SUBJECT, AND IS INCONSISTENT WITH THE COMMITMENT NOT TO ISSUE NEW PROTECTIONIST MEASURES WHICH WAS MADE BY THE GOVERNMENT OF THE UNITED STATES AT THE BEGINNING OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS HELD IN PUNTA DEL ESTE.

SECTION 153 OF THE BILL'S HOUSE VERSION WOULD REQUIRE THAT, IN ANY SUBSIDY INVESTIGATION, THE DEPARTMENT OF COMMERCE DETERMINES WHETHER BENEFITS ARE IN FACT

GENERALLY AVAILABLE OR ARE "ACTUALLY PAID TO OR BESTOWED ON A SPECIFIC INDUSTRY OR INDUSTRIES", NOTWITHSTANDING NOMINAL GENERAL AVAILABILITY OF THE BENEFITS. ALSO, IN DETERMINING THE DEGREE OF PREFERENCE GIVEN TO GOODS AND SERVICES, THE DEPARTMENT WOULD BE REQUIRED TO USE EXTERNAL REFERENCES, RATHER THAN TO CONSIDER THE COUNTRY'S "NORMALLY EXISTING, OR MARKET DIC[illegible]."

THE MAIN PURPOSE OF THE HOUSE'S PROPOSAL IS TO DEFINE "SUBSIDY" AS THE DIFFERENCE BETWEEN THE PRICE PAID IN THE INTERNATIONAL MARKET FOR SOME OF THE MATERIALS USED IN THE PRODUCTION OF THE EXPORTING PRODUCT IN QUESTION, AND THE PRICE OF SUCH MATERIALS IN THE MANUFACTURING COUNTRY. INTERNATIONAL REGULATIONS REGARDING SUBSIDIES AND COUNTERVAILING DUTIES DO NOT CONSIDER THIS DIFFERENCE TO CONSTITUTE AN "UNFAIR" PRACTICE. THEREFORE, THIS DIFFERENCE, WHICH IS THE RESULT OF COMPARATIVE ADVANTAGE, SHOULD NOT BE SUBJECT TO COUNTERVAILING DUTIES.-

2. CHANGES TO REGULATIONS ON RELIEF MEASURES

MEXICO IS ESPECIALLY CONCERNED OVER THE PROVISIONS INCLUDED IN SECTION 202 OF BOTH VERSIONS OF THE HR3 BILL. BY WAY OF A SPEEDY PROCESS, SUCH PROVISIONS WOULD SHORTEN THE TIME IN WHICH RELIEF MEASURES ARE APPLIED IN THE CASE OF PERISHABLE AGRICULTURAL PRODUCTS AND/OR WHEN "CRITICAL CIRCUMSTANCES" ARE DETERMINED TO EXIST. SUCH PROVISIONS, COULD AFFECT THE OBJECTIVITY OF THE INVESTIGATIONS REQUIRED BY SECTION 201, SINCE IT IS PROPOSED THAT THEY BE IMPLEMENTED EVEN WHEN NO UNFAIR TRADE PRACTICES HAVE BEEN INCURRED IN MAKING THE IMPORTS.

MEXICO IS ONE OF THE MOST IMPORTANT U.S. SUPPLIERS OF AGRICULTURAL PRODUCTS AND, CONSEQUENTLY, IS BOUND TO BE PARTICULARLY AFFECTED BY THE NEGATIVE CONSEQUENCES OF THESE PROVISIONS. FOR INSTANCE: AS A RESULT OF MEXICO'S PROXIMITY TO THE U.S., SOME OF OUR EXPORTS TO THE U.S. ARE MADE OVER SHORT PERIODS OF TIME AND ARE NOT NECESSARILY SPREAD THROUGHOUT THE YEAR, AS IS THE CASE FOR OTHER COUNTRIES' EXPORTS. ACCORDING TO THE DEFINITION OF "CRITICAL CIRCUMSTANCES" THIS CONCENTRATION OVER SHORT PERIODS OF TIME OF THE TOTAL AMOUNT OF EXPORTS OF A PARTICULAR PRODUCT COULD BE INTERPRETED BY U.S. INDUSTRIES AND THE INTERNATIONAL TRADE COMMISSION AS A SUDDEN INCREASE OF SUCH EXPORTS.

3.- CHANGES TO THE RULES OF ORIGIN FOR STEEL PRODUCTS

CERTAIN PROVISIONS IN THE VERSION OF THE BILL PREPARED BY THE HOUSE MAKE THE EXISTING RULES OF ORIGIN FOR STEEL PRODUCTS MORE STRICT, WHILE AT THE SAME TIME DISREGARDING INTERNATIONALLY ACCEPTED PRACTICES IN DETERMINING THE DEGREE OF "TRANSFORMATION" (OF A PARTICULAR PRODUCT), FOR THE PURPOSE OF ESTABLISHING THE "COUNTRY OF ORIGIN."

MEXICAN STEEL EXPORTS TO THE U.S. WOULD NOT BE AFFECTED BY THIS PROVISION, SINCE MEXICAN STEEL IS NO PROCESSED IN A THIRD COUNTRY BEFORE BEING EXPORTED TO TH

U.S. HOWEVER, IF THIS PROVISION WERE TO BE ENACTED, IT MAY WELL RESULT IN THE ADOPTION OF SIMILAR MEASURES FOR OTHER PRODUCTS.

4. EXPORT PROMOTION PROGRAMS ("EXPORT TARGETING")

BOTH VERSIONS OF THE BILL PROPOSE TO AMEND THE 1974 TRADE ACT IN SUCH A MANNER AS TO INCLUDE AMONG THE SO-CALLED "UNREASONABLE PRACTICES" PROGRAMS IN FOREIGN COUNTRIES FOR THE PROMOTION OF EXPORTS, WHEN SUCH EXPORTS REPRESENT A "SIGNIFICANT BURDEN TO U.S. TRADE." THE CONCEPT OF "EXPORT TARGETING" IS DEFINED IN THE BILL AS "ANY GOVERNMENT PLAN OR SCHEME CONSISTING OF A COMBINATION OF COORDINATED ACTIONS, WHETHER CARRIED OUT SEPARATELY OR JOINTLY, THAT ARE BESTOWED ON A SPECIFIC ENTERPRISE OR INDUSTRY, OR GROUP THEREOF, THE EFFECT OF WHICH IS TO ASSIST THE ENTERPRISE, INDUSTRY, OR GROUP TO BECOME MORE COMPETITIVE IN THE EXPORT OF A CLASS OR KIND OF MERCHANDISE".

SINCE MEXICO CONSIDERS ITS EXPORTS AS AN ESSENTIAL FACTOR OF ECONOMIC GROWTH AND AS ITS MAJOR SOURCE OF FOREIGN EXCHANGE, THE ENACTMENT OF THE ABOVE AMENDMENT WOULD HAVE IMMEDIATE NEGATIVE CONSEQUENCES FOR THE MEXICAN ECONOMY AND WOULD CREATE A CLIMATE OF UNCERTAINTY IN THE COUNTRY'S EXPORTING SECTOR. MOREOVER, THE SIGNIFICANT ROLE PLAYED BY ECONOMIC GROWTH IN REDUCING THE FINANCIAL BURDEN OF THE DEBTOR COUNTRIES HAS BEEN EMPHASIZED NOT ONLY BY THE BAKER PLAN BUT ALSO IN VARIOUS INTERNATIONAL FORA.

ANOTHER POINT TO BE CONSIDERED IS THAT, SINCE THE GOVERNMENT OF THE U.S. IS CARRYING OUT EXPORT PROMOTION PROGRAMS WHICH FIT THE ABOVE DEFINITION, U.S. EXPORTS ARE LIABLE TO SUFFER FROM "MIRROR" LEGISLATION ADOPTED BY OTHER COUNTRIES.

5. COMMERCIAL ACTIVITIES BY STATE-OWNED ENTERPRISES

MEXICO IS CONCERNED OVER THE PROVISIONS CONTAINED IN THE SENATE VERSION OF THE HR3 BILL REGARDING THE SO-CALLED "MERCANTILE PRACTICES". THESE PROVISIONS PROPOSE TO CONSIDER AS "DISCRIMINATORY" AND, CONSEQUENTLY, LIABLE TO REPRISALS, THIRD COUNTRY PRACTICES THAT ALLOW STATE TRADING ENTERPRISES TO COMPETE IN THE INTERNATIONAL MARKET BY SELLING AND/OR BUYING GOODS AND SERVICES WITHOUT TAKING INTO ACCOUNT WHAT THE U.S. WOULD CALL "COMMERCIAL CONSIDERATIONS."

SUCH A PROVISION WOULD RESULT IN THE IMPLEMENTATION OF MEASURES THAT HAVE NOT BEEN ACCEPTED INTERNATIONALLY AS PART OF THE REGULATIONS CONCERNING MULTILATERAL TRADE.

6. TRADE IN FUNGIBLE GOODS

THE GOVERNMENT OF MEXICO WISHES TO EXPRESS ITS CONCERN. REGARDING THE POSSIBILITY OF USING SECTION 301 FOR PENALIZING THE PRODUCTION OF NON-AGRICULTURAL FUNGIBLE GOODS IN OTHER COUNTRIES, BASED ON THE CONDITIONS PREVAILING IN THE INTERNATIONAL MARKET FOR THOSE PRODUCTS.

7. IMPOSITION OF A SMALL UNIFORM DUTY ON ALL IMPORTS.

BOTH VERSIONS OF THE HR3 BILL URGE THE PRESIDENT TO BEGIN NEGOTIATIONS WITH THE GATT SIGNATORY COUNTRIES LEADING TO THE APPROVAL OF A SMALL UNIFORM DUTY ON ALL IMPORTS. THE FUNDS OBTAINED BY IMPOSING THIS TARIFF WOULD BE USED TO FINANCE PROGRAMS FOR ASSISTING U.S. WORKERS IN ADJUSTING TO IMPORT COMPETITION. IF SUCH AN AMENDMENT IS ENACTED, IT MAY ENCOURAGE OTHER COUNTRIES TO MAKE SIMILAR DEMANDS.

8.- EXPANSION OF RELIEF OPTIONS UNDER SECTION 201 OF THE TRADE ACT OF 1974.

BOTH VERSIONS OF THE HR3 BILL PROPOSE TO INCLUDE AS A RELIEF OPTION THE POSSIBILITY OF ELIMINATING THE BENEFITS RESULTING FROM THE APPLICATION OF ITEMS 806.30 AND 807.00 OF THE TARIFF SCHEDULE OF THE UNITED STATES (TSUS) AND/OR FROM THE GENERAL SYSTEM OF PREFERENCES TO IMPORT PRODUCTS THAT HAVE BEEN PROVED TO CAUSE SERIOUS INJURY TO THE U.S. DOMESTIC INDUSTRY.

IF THESE MEASURES WERE ENACTED, THEIR NEGATIVE EFFECTS WOULD BE SEVERELY FELT BY THE MEXICAN IN-BOND INDUSTRY, WHICH HAS BECOME ONE OF THE FASTEST GROWING SECTORS OF THE MEXICAN ECONOMY, AND REPRESENTS AN IMPORTANT FORM OF DIRECT U.S. INVESTMENT IN MEXICO. MOREOVER, THESE MEASURES WOULD BE DETRIMENTAL TO EXPORTS OF MEXICAN MANUFACTURED PRODUCTS, WHICH ARE THE BASIS FOR THE MEXICAN PROGRAM OF ECONOMIC RECOVERY.

9.- CONDITIONS SET BY THE UNITED STATES FOR ITS PARTICIPATION IN MULTILATERAL FINANCIAL INSTITUTIONS.

SOME PROVISIONS OF THE SENATE VERSION REQUIRE THAT THE U.S. PARTICIPATION IN THE DECISIONS REGARDING THE FINANCIAL STATUS OF MULTILATERAL FINANCIAL INSTITUTIONS BE CONDITIONED TO THE ADOPTION BY THOSE INSTITUTIONS OF NEW CRITERIA IN THE ALLOCATION OF FINANCIAL RESOURCES "FOR THE PRODUCTION OR EXTRACTION OF ANY COMMODITY OR MINERAL."

THIS UNILATERAL CONDITION SET BY THE U.S. FOR ITS PARTICIPATION IN MULTILATERAL FINANCIAL INSTITUTIONS COULD BE DETRIMENTAL TO THE PROMOTION OF DEVELOPMENT, WHICH IS THE REASON FOR THE EXISTENCE OF SUCH INSTITUTIONS.

Mr. BENNETT. All right.

Senator DOMENICI. Might I just ask you, there were no significant changes in the provisions of that bill affecting the maquiladora program, were there?

Mr. BENNETT. That's correct. There are some minor provisions that do affect maquilas but no major provisions.

Finally, just to conclude on that one point, that is the United States market is tremendously open to Mexican exports. We have productions on steel, textile exports. We have embargo on exports and meat products; that is being reexamined. The Mexican Government is submitting information that very well could lead within the next year, within the next month, 9 months, the opening of the United States markets on those products. In general, 85 percent of Mexican exports entered the United States paying a duty between zero and 5 percent?

I met with some particular industry groups here in Nogales yesterday. I know their particular products level; they don't meet duties in that particular level. They do encounter U.S. duty of a much higher level. So we realize that there are some particular problems on our side, but in general the United States market is open to exports from Mexico.

A final comment, final point I would like to bring to the attention of the two Senators to the committee and to the audience is that we are in the final stages of negotiating. And we conducted 2 full days of negotiations last Thursday and Friday with our counterparts in Mexican Government. In the final stages of negotiating a bilateral framework agreement on trade and investment with the Mexican Government, it's an agreement that I know you two Senators are semi-familiar with. Its basic result will be to provide a consultative mechanism that either government can invoke on any trade and investment issue. We hope that it will provide a mechanism to clarify misunderstandings and to possibly resolve disputes in the trade and investment area between the two countries and we hope to resolve them at a level, which is all to often characterized by the Mexican/United States trading relations over the last 30 years. We hope to resolve on a lower level to create a better environment for the private sector. That concludes the point that I had.

Senator DECONCINI. Mr. Bennett, thank you. That is very helpful, particularly the update on the treaty that you just mentioned. We certainly wish you well. I think the Senate would look forward to such a treaty ratification.

I want to talk to you a little bit about the maquiladora program. As you know, that is very important in this part of the country. There is little disagreement that the maquiladora or production sharing program in the Southwest does a great deal economically. In fact, studies show that benefits of the maquiladora program stretch into the largest industrial parts of the United States and I strongly support the program and have ever since I came to the Senate 11 years ago. But at least in one article which appeared in the Wall Street Journal on October 14, 1986, seems to suggest that automation in certain United States plants could negate the savings associated with production sharing with Mexico. Have you read that article?

Mr. BENNETT. No; I have not.

Senator DECONCINI. OK. Let me just read one paragraph. It says, "Some economists and consultants say that the trickle of companies now choosing U.S. manufacturing will turn into a steady stream in a few years as automation reduces the burden of high U.S. wage rates, and as companies wake up to the hidden costs of offshore production." Do you see the maquiladora program drying up as a vehicle for making the United States more competitive in international markets as automation develops in the United States and what do you see as the future of production sharing for the U.S. industries?

Mr. BENNETT. Well, my first comment would be—I'd like to preface my comment by saying that the maquiladora program is a product of Mexican law. That is a program, however, which the U.S. Government has no control.

Next, in terms of an observation on the impact of automation. There have been articles written by academics and consultants for probably the last 12, 15 years on the impact of automation on offshore operations. A lot of it was directed toward U.S. investment in Asian facilities saying, with increasing automation those would return to the United States. That has not necessarily happened to any great extent; whether or not that will happen in maquilas, I really don't know and prefer not to say anything for the record. I know that the Mexican Government has raised that in conversations with me and they wonder whether or not that will eventually dry the maquila production.

Senator DECONCINI. Let me refer to another article on which I would also appreciate hearing your position. A Wall Street article on March 17 of this year gives high marks to the maquiladora industry program as a major reason for increased economic health along the Southwest border, and cites significant employment turnarounds in McAllen, El Paso, and Loredo, TX. The article goes on to say, "The growth of maquila industries in Mexico has also had a significant effect on the growth of infrastructure of supplies and transport companies on the United States side of the border." What is your view of the maquiladora program and its effect on U.S. employment and business development along the Southwest border?

Mr. BENNETT. Well, that's a fundamental question of, obviously, particular interest to you two Senators and to a lot of people in this audience. It's one, on behalf of the administration, I'd like to be a little bit careful in answering.

The International Trade Commission [ITC], upon the request of the House Ways and Means Trade Subcommittee, is currently studying that specific question and hopes to have its report submitted to the Congress by December. It's a question I want to be careful in answering because it is one that has raised concerns on the part of certain U.S. industries and certain U.S. congressional Representatives, particularly from the northwestern part, or the northeastern part of the United States.

I would say this, in general the administration believes that offshore operations have proven to be a net economic benefit to the United

States; specific economic benefit to border region, United States and Mexico border region. We don't want to prejudge the outcome of the current ITC study based upon previous studies. We think there's a good chance the ongoing study will reconfirm that particular conclusion.

Senator DECONCINI. Well, I'm very interested in the response that you gave because you don't like to say one country is more important to it than another with the United States. It's clear that our relationship with Mexico is premier in our relationship with any other country and perhaps Canada as well because of our closeness, because of our culture, our ties in this part of the country, our religion, relatives, and so many things. And it seems to me that the economic viability of Mexico and political stability is so vital that if the conclusion was that, yes, maquiladoras are costing American jobs, do you think it's fair that the conclusion would be that, if the maquiladora program was cut off, these industries would not come back into the United States but would move further offshore to Taiwan or Korea. Is that a logical argument or conclusion?

Mr. BENNETT. Well, couple of comments. Secretary Schultz said last year at a public forum that the United States relationship with Mexico was second of importance only to our relationship with the Soviet Union. And I think Ambassador Yoder would certainly agree with that and our office does. We have tried to give increasing attention to our trade relationship with Mexico.

We recognize the strategic importance to the United States of the economic health of Mexico. Mexican Government likes to make arguments that we've got a choice, you can have our products or our people. Well, based upon what's happened so far, it looks like we get both, but there is a certain logic in that argument.

My next comment would be, on this maquiladora issue and there is, there are certain groups interested in restricting the maquiladora operation. The administration's response to that is, is that it's a sovereign Mexican Government program and there's very little that the United States can do to effect the operation of that program.

The U.S. Congress could repeal tariff provisions 806.30 and 807. It's unlikely that many of the maquiladora operations that that is enough, repeal of that would be enough of a disincentive for them to return their operations to the United States.

Senator DECONCINI. That's a very good point.

Mr. BENNETT. We believe that the overall economic benefit, and we're waiting—like I say, we don't want to prejudice the ITC study. We believe that the outcome will be that the overall benefit is possible.

Finally, I think there's no question, no question that, if in some way either our barriers imposed by the U.S. Government on the entry of products from the maquila operations, there's no question that they will move further offshore, most likely to Asian sources and that would be a net economic loss to the United States. Not just in terms of the impact of border communities where we know that 40 to 60 percent of the wages, the border maquilas are spending in the U.S. border communities. But we also lose, also lose the opportunity to sell components to those suppliers, including the U.S. maquila operations. Our chance of selling components to factories, whether Yokohama or other countries, Singapore, Malaysia, Indonesia are substantially diminished. So we do gain enormous economic benefits from those offshore operations being located in Mexico.

Senator DeConcini. Thank you. Thank you for that response, it's very helpful. I notice that Dr. Biedermann testified before the House Banking Committee on November 25 of last year. He cited a survey by Member Businesses of the Committee on Production Sharing that showed 68 percent indicated that production sharing helped them to maintain market share and 26 percent indicated that production sharing helped them actually gain market share. Now that survey is 3 years old. Do you or can you supply us with any more current information along that line for the record? Do you know if you have it back in your archives or do you know if there is such a study?

Mr. Bennett. The administration has no such information. We will be relying upon the ITC base line study which will come out in December.

Senator DeConcini. Do you think production sharing is a proper foreign policy tool that can be used at all in the area of trying to reduce foreign aid and foreign assistance? Have you looked at that tradeoff?

Mr. Bennett. I have not looked into that and I prefer not to answer.

Senator DeConcini. Dr. Biedermann testified that he thought the trade office had looked at it?

Mr. Bennett. I will say this, that anything promotes, improves commercial relations between two countries, healthy commercial relations, because there's some countries with which we are close allies, but we do not have commercial relations, but anything that promotes healthy mutual beneficial commercial relations usually has direct political benefits in strengthening it.

Senator DeConcini. I have several questions but, because of time, I'll ask just one more and then yield to my friend from New Mexico. The balance of the same study that I just mentioned shows that in 1981, the total Mexican expenditures in Arizona were $622 million, up 20.3 percent over 1980. Of this amount, it was estimated that 97 percent of the total expenditures were spent in border counties of Arizona—Santa Cruz, Yuma, Pima, and Cochise—and 45.6 percent of the aggregate Mexican spending in the Arizona border region was in retail sales. Nearly one-half of all Mexican expenditures were in the city of Nogales and the surrounding area. Do you have any current data on Mexican spending in Arizona, New Mexico, or in any other border States that you've done or that you know of?

Mr. Bennett. No; I don't. I think the most recent U.S. Government study was the Southwest border study; was completed late last fall, and I don't think there's been any update since that time.

Senator DeConcini. OK, thank you. Senator Domenici.

Senator DOMENICI. Thank you very much. Mr. Bennett, let me add to the litany of activities that the chairman enumerated and relationships that he enumerated with reference to our two countries. He indicated, and I concur, that the situation between the United States and Mexico ought to be one of our very high priority items.

I would add immigration to the litany that he indicated. In fact, I believe that it's so, so serious that if we didn't have any of the others, we ought to be genuinely concerned with the economic well-being of Mexico and do whatever we can to help. That is not to say that we are all powerful; it's up to them. But obviously, the maquiladora program is theirs. They perceive it to be of significant help and advantage to their people. And obviously, the more employment on that side of the border, the less the pressure for immigration and, obviously even with the new immigration law which the U.S. Government passed, that's not going to be the end of this problem. Clearly, problems are going to be severe and serious, and anybody who really thinks that the employer sanction is so marvelous that it's going to solve all the problems is living in a dream world. It's not going to work, in my opinion, unless and until Mexico's economics improve. I don't ask you to comment on that other than it seems to me that those involved in trade ought to be monitoring the immigration problem too because as that problem gets severe, it becomes such a tremendous political issue that you can't solve trade problems either because it festers all the way up to Mexico City and it touches and colors everything you try to do.

Having said that, let me ask you, is the debt equity swap that the President has alluded to and others have talked about as it applies to those countries that owe American lending institutions large amounts of money, a significant tool for the enhancement of the maquiladora program with Mexico as you see it? If so, is it in some way quantifiable? Are we talking about a substantial, potential increase in the maquiladora investment under that equity swap arrangement or not, what is your assessment?

Mr. BENNETT. Well, first, on the immigration issue I recently shared a forum or two speakers at a program with Commissioner Nelson. And I would prefer not to comment on that. I think I would defer to Commissioner von Raab's friend for a comment on the debt equity.

Senator DOMENICI. And I wasn't speaking for the chairman on whether this law will work. I just have my own opinions. I didn't vote for the bill, and I—but go ahead.

Mr. BENNETT. The Debt Equity Swap Program, first of all, needs to be recognized as what its major objective is for the Mexican Government. There's a widespread belief in the United States, both in the administration and the academic community, that it's a major tool for reducing Mexico's foreign debt. That is not, it is not directly aimed at that, and that is not the announced Mexican Government intention. Instead, it has indirect impact; the aim is to use it as a tool for attracting increasing investment. And through that increased investment, creates more jobs, more exports. And then through that additional earning, decrease your foreign debt.

Senator DOMENICI. But it does have a currency situation; the currency stays in Mexico in the swap.

Mr. BENNETT. That's correct.

Senator DOMENICI. That's very beneficial to them.

Mr. BENNETT. It is, but what I'm saying, it's minimal in terms of reducing, say if you're going to allow $1.5 billion per year and your foreign debt is $105 billion it would take how many years to totally divert the debt.

Senator DOMENICI. I understand.

Mr. BENNETT. In terms of its use for the maquila program, it is increasingly being used for maquila investment. I don't think it's substantial in terms of the total amount of the investment going into the maquila program. And the amount of investment has really exploded over the last 8 months, both U.S. and non-U.S. investment. I think it is an important compliment to increasing investment in maquilas, but like I say, I don't have any data in terms of quantifying it, but I don't see it as a substantial part of the maquila investment.

Senator DOMENICI. My last question has to do with—first, are you the one within the Trade Department of the United States that is intimately familiar with the maquiladora program or is that just part of a number of jobs that you have?

Mr. BENNETT. That's part of a number of jobs I have. If the U.S. administration needs to come up with policy, needs to be maquila, then I'm the person who puts it together.

Senator DOMENICI. Well, let me ask you, from the Mexican side, is there not a problem with reference to the lack of infrastructure? I now don't speak of a business infrastructure, but rather a nonbusiness infrastructure within the immediate vicinity of the maquiladora plants that have caused some significant problem with the work force and turnover and the like. If that is the case, is anything innovative and different about that approach?

Mr. BENNETT. Well, the infrastructure problem is a significant problem; it's been exacerbated by the explosion of maquila investment over the last 1½ years. We're talking here in terms of the human aspect, the housing problem.

Senator DOMENICI. Right.

Mr. BENNETT. Transportation, electricity, and water. We're talking in terms from the business aspect of telecommunications and transportation problems.

In a meeting with the senior level, Mexican officials in May; we did raise this issue, not pressing the Mexicans, of course; telling them where they should be dedicating their public investment, but just raised it as an issue that we were aware of and we were concerned. And they did tell us at that time that they were also aware of the problem and intended to increase their investment in the area of telecommunications and transportation in order to facilitate increasing maquila investment. What they don't want to do is get in a situation where the infrastructure problems become so serious that it starts turning away potential investors.

On the housing problem, I think that's being looked at probably more on the local level and even from some private investors adding housing facilities as an attraction to decreasing turnover. Also HUD, the United States Department of Housing and Urban Development, has held bilateral consultation with its Mexican counterparts on the issue of somehow creating a house building, modular house building program to increase the housing on both sides of the border.

In a meeting I had with the HUD officials, they were explaining that the housing problems exist not only just on the Mexican side but also, in some cases on the United States side.

Senator DOMENICI. Thank you very much.

Senator DECONCINI. Let me ask one further question. Mr. Bennett, I think our trade representatives do an excellent job. I am pleased that the focus is on Mexico and there is someone in our international trade office who is really working on it. But Senator Domenici, the border trade alliance, and myself all seem to be in agreement that one of the most important elements for improving business along the border is to repair, improve, and expand the Southwest border facilities and the ports of entry into this country.

It has always embarrassed me when I think about the unattractiveness of our ports of entry through which legitimate Mexican Nationals come through in order to trade with us. It's just deplorable. It's getting better, I must say. Senator Domenici and I intend to recommend a major package of border facility improvements in the fiscal year 1988 Customs appropriation bill when we return next month. In your deliberations with the Mexican Government and the border business community, how important do you feel border facility improvements are as an element of ongoing trade policy with Mexico? Does it come up or is it just never mentioned?

Mr. BENNETT. Let me be careful and very clear in the way I answer this question. First of all, it does come up. It comes up frequently in representations made by private sector representatives to the Office of the U.S. Trade Representative. There have been one or two comments made by Mexican trade officials to us that they're making efforts on their side and sometimes they question the efforts we're making on our side.

In hearing Regional Commissioner Piatt's comments on some of our facilities, I was thinking in my mind back to the end of Tokyo round in the International Trade Negotiations in Geneva, 1978/79, I recall representatives from the European community charging that the United States tariff schedule, the TSUS is a nontariff barrier. And I was hearing the problems with our Customs facilities, I was thinking, the Mexicans, being the most likely candidates, could charge that our, some of our Customs facilities are nontariff barrier. In terms of whether or not we think something should be done about that, it's not an area where we're really involved——

Senator DECONCINI. I understand that.

Mr. BENNETT [continuing]. In a direct way.

Senator DECONCINI. What is your opinion? Does it make much difference from the standpoint of your office, without committing you to support the package that Senator Domenici and I may offer. I'm just interested if it is raised and if you think it's important?

Mr. BENNETT. Our office does think it's Customs facilities and valuation of practices—commercial clearance practices—are very important. We have made this point in internal administration deliberations which are still ongoing on United States policy toward Mexico. And there's no question that there are severe demands upon the Customs resources and Customs budget. We don't want to get engaged in deciding on the part of the Treasury and specifically Customs Service who should allocate that. Yes; we do believe, based upon the numerous representations made to our office, that perhaps there are grounds for improvements in our handling of commercial traffic at the United States/Mexican border.

Senator DECONCINI. Mr. Bennett, thank you. Thank you very much. Your testimony is very helpful.

QUESTIONS SUBMITTED BY SENATOR DE CONCINI

Commissioner von Raab, we're going to ask you to join us up here, if you would like to. I'm not sure how. I understand you've always wanted to be a member of this committee so that you could get the kind of appropriations that you felt were necessary. We may even invite you to the markup next month. But we welcome you, Commissioner, to come forward and sit with us.

Mr. VON RAAB. Thank you very much.

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR DENNIS DeCONCINI

Q: To what to you attribute this data regarding Mexican spending in the U.S. border region and what, if anything, will increased maquila industry do to improve sales on our side of the border?

Q: To what degree are Customs and INS impediments to Mexican spending in the U.S. border region?

Q: What are some specific, concrete steps that Congress can take to increase Mexican spending in our border region?

A: The major reason for the decline in the total value of Mexican spending in U.S. border communities has been the devaluation of the peso. The USITC study referred to also found that 40 to 60 percent of the wages of the Mexican maquila workers are spent on the U.S. side of the border. A growing maquila industry should thus result in an increase in the total value of expenditures by maquila workers in U.S. border communities.

Q: Perhaps the maquiladora program is not totally responsible for these benefits, but can you address each of these and the effect of the maquiladora industry on each?

A: There is no question that the maquiladora program has resulted in concrete economic benefits for Mexico. There are currently about 310,000 Mexicans employed in maquilas, while the Mexican Government estimates that another 2 or 3 jobs are created in Mexico for every maquila job. The maquila sector has thus proven an important source of employment in a country that has 1,000,000 new entrants annually in the labor market. In addition, maquilas are the second largest source of foreign exchange earnings for Mexico after the oil sector. The maquilas also provide important training for mid-level managers and engineers. All of the above furthers Mexico's economic development. The healthier the Mexican economy, the more stable is our southern border.

Q: Could you update the Committee with whatever information you may have on the loss of American jobs due to the maquiladora program; the number of businesses that have been saved as a result of the maquila industry; and what the job creation track record has been in the U.S. due to maquiladora plants?

A: The Administration itself hs not studied the question of the impact on U.S. production and employment of maquiladora operations. In general, the Administration has been guided by the conclusion of a 1970 study prepared by the U.S. Tariff Commission (now the U.S. International Trade Commission) that offshore operations on the whole resulted in a "net" benefit to U.S. production and employment. Recognizing the date of that study, the Administration will carefully examine a new report on this same topic which the International Trade Commission will submit to the House Ways and Means Committee in December. We would also point out that a number of U.S. border communities and trade associations have recently studied this question in detail and found substantial employment and production benefits for both their own communities and many other U.S. states as a result of maquiladora operations.

Q: What progress, if any, have you seen since the Mexicans joined GATT, in the area of protection of these and other intellectual property matters, and how serious does the Administration view this issue in the overall scheme of U.S.-Mexico trade relations.

A: Important progress has been made in Mexico with respect to intellectual property protection as a result of amendments to Mexico's patent and trademark law that were approved by the

Mexican Congress in late December 1986. Key changes included the following:

1. The term of patents and certificates of invention is extended from 10 to 14 years from date of grant.

2. Process patent protection is now provided for pharmaceuticals, chemical products, alloys, foodstuffs and beverages for animals and agricultural chemicals.

3. Both process and product patent protection are now available for anti-pollution equipment and apparatus.

4. Product patent protection for pharmaceuticals, chemical products, agricultural chemicals, and foodstuffs and beverages for animal consumption will be available in January 1997.

5. Process patent protection for biotechnology will be available in ten years time.

6. The trademark linkage requirement is now optional. In addition, improvements were made in patent lapse provisions and in disclosure requirements for proprietary information, along with some improvement in trade secret protection.

While the amended Mexican law is an important step forward, the U.S. Government was very disappointed by the 10 year delay in implementation of product patent protection for certain subject matter and in the failure of the amended law to provide for product patent protection at any time for alloys or biotechnology. The U.S. Government intends to pursue this issue further under the consultative mechanism of the soon-to-be completed bilateral framework agreement.

Q: A number of new and existing programs have been supported to stimulate investment in or encourage relocation to the border region. I would like to get your views on each as a help or hindrance to the border business climate.

1. Productivity Zones
2. Enterprise Zones
3. U.S.-Mexico Border Revitalization Act (HR 3199)
4. Increase the number of Foreign Trade Zones along the border.

A: Productivity zones, enterprise zones, the U.S.-Mexico Border Revitalization Act, and increasing the number of foreign trade zones are four ideas on how to increase investment and employment along the U.S.-Mexico border. With respect to Productivity and Enterprise Zones, the Office of the U.S. Trade Representative has no official position. However, we would note the concerns raised about these proposals by the U.S. International Trade Commission in its recent southwest border study ("The Impact of Increased ~~United~~ States-Mexican Trade on Southwest Border Development," USITC Publication 1915, November 1986. See pp. 125-126 for ITC "Comment" on productivity zones and pp. 126-131 for discussion of the enterprise zone concept). In addition, we would point out that important questions would have to be addressed concerning the tariff treatment of the output of the Mexican productivity zone and the relation of such zones to U.S. trade law (i.e. countervailing duty, antidumping and sections 201 and 301 of the Trade Act of 1974).

The Border Revitalization Act raises serious questions about the feasibility of administering on a customs basis a 200 mile zone on each side of the border, the relation of the output of such a zone to U.S. trade law, the impact of existing U.S. trucking laws on such zones, and the budget implications of the tax incentives and Development Bank provided for in the proposal. In addition, the proposed Bilateral Commission seems unnecessary given the existing U.S-Mexico Binational Commission which was established in 1981 and meets on a regular (usually annual) basis. Meetings are held at the Cabinet level and include the respective secretaries of State, Commerce, Treasury, the Attorneys General and the U.S. Trade Representative. Further, the soon-to-be-completed bilateral framework agreement for trade and investment will establish a consultative mechanism that will facilitate bilateral discussion of any trade or investment issue.

We defer to the Department of Commerce's International Trade Administration, the administrator of the foreign trade zone program, for thoughts on increasing the number of foreign trade zones along the U.S.-Mexico border. For background material, I have attached recent testimony given by a Commerce Department official on the subject of foreign trade zones.

STATEMENT OF JOSEPH SPETRINI
DEPUTY TO THE DEPUTY ASSISTANT SECRETARY
FOR IMPORT ADMINISTRATION
INTERNATIONAL TRADE ADMINISTRATION
BEFORE
THE HOUSE COMMERCE, CONSUMER AND MONETARY
AFFAIRS SUBCOMMITTEE
SAN DIEGO, CALIFORNIA
JUNE 12, 1987

I appreciate the opportunity to appear before this subcommittee on behalf of the U.S. Department of Commerce's International Trade Administration to testify on the subject of U.S. foreign-trade zones and their relationship to Mexican maquiladora plants.

My name is Joseph Spetrini. I am Deputy to Gilbert B. Kaplan, the Deputy Assistant Secretary for Import Administration. With me today are Melissa Coyle, Director of the Mexico Division in ITA's bureau of International Economic Policy, and John Da Ponte, executive secretary of the FTZ Board and director of the FTZ Staff.

The Commerce Department has a key role in administering the foreign-trade zone (FTZ) program because the Secretary of

Commerce chairs the Foreign-Trade Zones Board. Within Commerce, the program is assigned to the International Trade Administration. The Board's executive secretariat and the Commerce FTZ Staff are located within ITA's Import Administration.

There are presently foreign-trade zones in nine U.S. communities on the Mexican border. In addition, an application submitted by the City of San Diego is currently pending with the Foreign-Trade Zones Board, and we have also received preliminary drafts for projects in Calexico, California, and Weslaco, Texas. A list of the locations of approved foreign-trade zones is attached (Appendix A).

COMMERCE STATEMENT ON MAQUILADORAS

Commerce stated its reasons for supporting U.S. participation in the maquiladora industry last fall during testimony before several House committees. The Department supports maquiladoras because they help U.S. companies remain healthy in the face of intense international competition and help to keep U.S. employment levels as high as possible. We believe they also increase our exports to Mexico.

Based on our best judgment and the facts available to us, the Department has found that production sharing in Mexico using American-made components has: 1) improved U.S. competitiveness in world markets; 2) helped maintain employment levels of the American workforce; 3) supported U.S. foreign policy interests; and 4) provided American consumers with competitively priced alternatives to imports of wholly foreign origin.

COMMERCE STATEMENT ON FTZ'S

The Commerce Department recognizes the role that foreign-trade zones can play in assisting communities achieve their economic development objectives by helping business and industry compete more effectively in the world market. Our legislative mandate emphasizes the use of zones for export operations, but includes activity involving the manufacture and assembly of products for the domestic market under certain conditions. All zone activity is evaluated in terms of whether it is in the public interest. This means, among other considerations, that operations in zones should not adversely affect domestic industries.

Before commenting on the interplay between foreign-trade zones and maquiladoras, I would like to say a few words about U.S. zones, how they are approved and regulated, and the kind of activity that takes place in them.

THE FTZ BOARD - HOW IT FUNCTIONS

The Foreign-Trade Zones Board was established by Congress in 1934 (FTZ Act, 19 USC 81a-81u), to license and regulate foreign-trade zones in the United States and Puerto Rico. The Board functions like an interagency committee with the Secretary of Commerce as chairman. The Treasury and Army Secretaries are the other members. We in Commerce work closely with the U.S. Customs Service and its District Directors, who are responsible for supervising zones. The Army's function is carried out by the Corps of Engineers.

All three Board agencies have designated Assistant Secretaries to serve on a Committee of Alternates that represents the Board. The Commerce Alternate is the Assistant Secretary for Trade Administration, who has authority to act in all zone matters except the issuance of grants of authority for new projects. The other Alternates have full authority to act for their principals. Corporations applying for a zone grant of authority must be so qualified by the states in which their projects are located. Most zone grantees are public corporations, such as states or local communities and their agencies, port authorities, and public or private not-for-profit economic development entities. They often contract with private corporations for the operation of all or part of their projects, with the grantee remaining at least in an oversight role. In many cases, the operator provides the facilities.

Zone applications and other petitions for Board decisions are filed with and processed by the Commerce FTZ Staff office. Decisions on proposals for new zones and major changes to projects are made on the basis of a public record. An interagency committee of examiners, chaired by the Commerce member, is assigned to review proposals and make findings and recommendations to the Board. Cases are announced in the Federal Register for comment, and local hearings are held by the examiners on new projects and when otherwise needed. Each agency views zone issues from the perspective of its function and expertise. Commerce tends to take the lead role on the economic development and industry impact aspects of zones.

The examiners' reports are circulated to the Alternates and Customs headquarters during the final interagency review process. We try to complete the processing of cases within one year, but it can take longer to reach an informed decision in controversial cases. Controversies tend to arise in cases involving manufacturing for importation, especially when import sensitive products such as steel and textiles are involved.

CRITERIA -- NEW ZONES, EXPANSIONS AND MANUFACTURING

In reviewing applications for the establishment or expansion of foreign-trade zones, the FTZ Board looks for (1) a showing of need for the zone or additional site within the community in question, taking projected international trade-related activity into account, and (2) a suitable operational plan that includes appropriate sites, and the method for financing the project. Manufacturing activity is reviewed on a case-by-case basis under stricter criteria, which includes consideration of trade policy and domestic industry comments.

We are currently processing the City of San Diego's proposal that I referred to earlier. It calls for four parcels in the Otay Mesa planning area. The sites are adjacent to the border near the Otay Mesa Customs border crossing. No manufacturing activity is proposed at the outset. We would review such proposals as they arise. The application cites the need for special Customs procedures for twin-plant operations related to maquiladora activity in the Tijuana area. A public hearing will be held for the FTZ Board in San Diego on July 1.

FOREIGN-TRADE ZONES--CUSTOMS PROCEDURES

The zone concept, as it is used in the United States, involves the designation of areas (usually industrial parks and distribution centers) in or adjacent to ports of entry as being outside Customs territory for the purpose of Customs entry procedures. The concept is used in different ways in various countries. Mexico's zone program includes a 12-mile wide duty-free zone, or perimeter, that extends along its entire border with the U.S. It is in this area that most maquiladora plants are located, generally in communities on the border.

Foreign goods moved into U.S. zones are accounted for in inventory control systems approved and supervised by the U.S. Customs Service. While within the zone they are exempt from Customs duties, certain quotas, as well as federal and certain state excise taxes. The goods can be stored, exhibited, inspected, processed and used in manufacture. If reexported outside of the U.S., Customs duties or restrictions are forgiven. If the foreign goods enter the domestic market in their original or an altered condition, a formal Customs entry must then be made. Duties are paid and restrictions applied either on the original items or on the emerging product, through this choice can be denied or restricted by the Board on public interest grounds.

The savings offered by zones include:

- exemptions from Customs duties and restrictions for reexports.
- deferral of duties on imports, providing a cash-flow benefit.
- reduction of duties on imports either through the removal of scrap, waste and substandard items, or through the option of paying at the tariff rate on the finished product when it is a lower rate (inverted tariff).
- holding goods until quota or other restrictions are satisfied.

FOREIGN-TRADE ZONE ACTIVITY

U.S. foreign-trade zone activity has increased significantly during the past decade due to the growing importance of international trade and investment to our economy. Customs costs have become a more important consideration to many companies that engage in transnational sourcing as part of their efforts to compete in an increasingly competitive world market. Most products today contain technological components, a development that can significantly affect the working of Customs tariff schedules.

GROWTH IN ZONES

Until the early 1970's there were fewer than 10 foreign-trade zone projects in the United States, mainly devoted to seaport terminal operations. As shipments to inland ports of containerized and air cargo increased during the 1970's, foreign-trade zones were sought by a growing number of inland port of entry communities, and became widely available throughout the U.S. We now have 135 approved zones located in 46 states and Puerto Rico. Many zone projects have separate ancillary facilities, called subzones, located at manufacturing plants. There are currently 100 subzones, most of which are at assembly plants for automobiles and other transportation equipment.

Subzones account for practically all of the manufacturing done under zone procedures. They receive 94 percent of zone shipments.

During 1986, there were 70 zone projects in operation, and 45 subzones.1/ Zone facilities were used by approximately 2,100 companies, employing 140,000 persons. Some $38 billion in merchandise was received, 94 percent of which was destined for subzones at manufacturing plants. Over 75 percent of the manufacturing takes place at auto assembly plants, which continue to use mainly domestic parts and materials. It is these plants that account for most of the high-level of shipments of domestic components into zones. Of the merchandise received in zones last year, 80 percent was of domestic origin. Exports accounted for some 25 percent of shipments from general-purpose zones, which are used mainly for warehousing related operations (Appendix B). Presently, all U.S. foreign-trade zones on the Mexican border are general-purpose zones.2/ Their export activity mainly involves shipments of components to maquiladoras for assembly into products that return either to the United States or are exported to third country markets.

ZONE ACTIVITY - US/MEXICAN BORDER

Four of the nine foreign-trade zones on the Mexican border were active during 1986. They are in the Texas communities of McAllen, Brownsville, El Paso and Laredo. They accounted for a relatively small percent of overall zone activity, receiving some $155 million in merchandise and employing about 960 persons. Most of the shipments they received were destined for Mexico, the

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1/ It normally takes up to 2 years for a zone to become operational, consequently a number of approved zones have not yet been activated. Some of the smaller zones go through periods where there is no activity under zone procedures.

2/ A "general-purpose zone" is a zone operated under public utility principles to serve multi-users for a variety of operations. "Subzones" are single-user facilities, usually located at the manufacturing plants of private companies.

highest percentage of which were from Japan. The goods entering our zones from Mexico were mostly from maquiladora plants.

The main items destined for Mexico from U.S. zones were electronic components, auto wiring harness components, TV components, consumer electronics, engine parts, and machinery. Other than machinery, most of the items return as assembled products or subassemblies.

Most of the goods arriving from maquiladoras are assembled goods that qualify for entry under TSUS 807.00, subject to U.S. duties only on the value-added in Mexico. Foreign components become part of the value-added; but, the value of U.S. components is excluded, thus providing an incentive for the use of components of U.S. origin in Mexican assembly operations. However, products arriving from Mexico that have been substantially transformed there in a way that made them new products, would be subject to duties on their full value, even if they contain U.S. components.

U.S. zones are used to temporarily store these shipments, or for repackaging, testing and quality control. Customs entries are usually made on the goods in the condition they leave a zone, unless they are exported to third countries. Zone procedures allow users to defer entry further by shipment in-bond to another U.S. zone or subzone. We understand that the auto subzones receive some of their components in this manner, with the ultimate entry made at the duty-rate on finished autos.

ECONOMIC IMPACT OF BORDER ZONES

The effect of U.S. zones on the Mexican border appears to conform with their legislative purpose, i.e., to encourage operations in the U.S. that would otherwise be conducted abroad. Our assessment of the relationship of zones to maquiladora activity is that zone procedures do not encourage or increase these assembly operations, which tend to be induced by the low costs of operation in Mexico and Mexican policies that encourage investment in the Maquiladora sector.

Maquiladoras and zones carry out complementary, but mutually exclusive operations. The activity presently conducted in our zones in border communities, might otherwise have been carried on at the maquiladora plants across the border.

The duty-free procedures and low costs that are available to maquiladoras encourage the location of as much of the assembly activity as possible in Mexico. While the U.S. zone program offers more limited Customs exemptions, our zone procedures nevertheless provide a counterbalance to help attract operations sensitive to Customs costs that are best conducted on this side of the border.

Thus, the effect U.S. zones have in relation to maquiladoras is to help U.S. border communities share in some of the economic benefits of border industry activity. While the present level of activity in U.S. zones is relatively low in comparison with overall border industry activity, it can be expected to increase based upon our experience with the McAllen, Texas zone, the only one that has been in operation for more than three years.

The McAllen zone, which is operated by the community's economic development agencies within an 80-acre industrial park, has been a major factor in attracting border industry-related activity to that community. Last year the zone served 143 business firms, 52 of whom occupied zone facilities on a continous basis, employing 850 persons. Zone shipments, which included 49 different commodities from 43 countries, totalled $50 million. Related to zone traffic, shipments into the zone industrial park of domestic merchandise in-transit to and from Mexico amounted to $464 million.

It is evident, based upon the reports we receive from McAllen officials, that the services environment associated with their zone has helped the community significantly in its efforts to participate in trans-border activities. The early reports we have from the newer Brownsville and El Paso zones convey the same message. As the other zone projects along the U.S. side of the border mature, we expect our zones to become a more important factor in the border area economy.

CONCLUSION

Thank you for allowing us to be a part of this public hearing. We will carefully consider any reports issued by the subcommittee on this matter, and will be happy to take any questions you might have.

APPENDIX A

FOREIGN-TRADE ZONES BY STATE AND COMMUNITY[1]

			(CUSTOMS POE*)
ALABAMA			
	FTZ No. 82	Mobile	
	FTZ No. 83	Huntsville	
	FTZ No. 98	Birmingham	
ALASKA			
	FTZ No. 108	Valdez	
ARIZONA			
	FTZ No. 48	Pima County	(Tucson)
*	FTZ No. 60	Nogales	
	FTZ No. 75	Phoenix	
*	FTZ No. 139	Sierra Vista	(Naco)
ARKANSAS			
	FTZ No. 14	Little Rock	
CALIFORNIA			
	FTZ No. 3	San Francisco	
	FTZ No. 18	San Jose	(S.F.)
	FTZ No. 50	Long Beach	
	FTZ No. 56	Oakland	
		SAN DIEGO	(PENDING)
COLORADO			
	FTZ No. 112	El Paso County	(Denver)
	FTZ No. 123	Denver	
CONNECTICUT			
	FTZ No. 71	Windsor Locks	(Hartford)
	FTZ No. 76	Bridgeport	
DELAWARE			
	FTZ No. 99	Wilmington & Kent County	(Wilmington)

FLORIDA

FTZ No. 25	Broward County	(Port Everglades)
FTZ No. 32	Miami	
FTZ No. 42	Orlando	
FTZ No. 64	Jacksonville	
FTZ No. 65	Panama City	
FTZ No. 79	Tampa	
FTZ No. 135	Palm Beach	(West Palm Beach)
FTZ No. 136	Brevard County	(Canaveral)

GEORGIA

FTZ No. 26	Coweta County	(Atlanta)
FTZ No. 104	Savannah	

HAWAII

FTZ No. 9	Honolulu	

ILLINOIS

FTZ No. 22	Chicago	
FTZ No. 31	Granite City	(St. Louis)
FTZ No. 114	Peoria	
FTZ No. 133	Milan	(Quad-City)

INDIANA

FTZ No. 72	Indianapolis	
FTZ No. 125	South Bend	(Chicago)

IOWA

FTZ No. 107	Polk County	(Des Moines)
FTZ No. 133	Davenport	(Quad-City)

KANSAS

FTZ No. 17	Kansas City	

KENTUCKY

FTZ No. 29	Jefferson County	(Louisville)
FTZ No. 47	Campbell County	(Cincinnati)

LOUISIANA

FTZ No. 2	New Orleans	
FTZ No. 87	Calcasieu Parish	(Lake Charles)
FTZ No. 124	St. Charles, St. John the Baptist, and St. James	(Gramercy)

MAINE

FTZ No. 58	Bangor	

MARYLAND

FTZ No. 63	Prince George's Cty	(D.C.)
FTZ No. 73	BWI Airport	(Baltimore)
FTZ No. 74	Baltimore	

MASSACHUSETTS

FTZ No. 27	Boston	
FTZ No. 28	New Bedford	

MICHIGAN

FTZ No. 16	Sault Ste. Marie	
FTZ No. 43	Battle Creek	
FTZ No. 70	Detroit	
FTZ No. 140	Flint	(Saginaw/Bay City/Flint)

MINNESOTA

FTZ No. 51	Duluth	
FTZ No. 119	Minneapolis-St. Paul	

MISSISSIPPI

FTZ No. 92	Harrison County	(Gulfport)

MISSOURI

FTZ No. 15	Kansas City	
FTZ No. 102	St. Louis	

MONTANA

FTZ No. 88	Great Falls	

NEBRASKA

FTZ No. 19	Omaha	
FTZ No. 59	Lincoln	(Omaha)

NEVADA

FTZ No. 89	Clark County	(Las Vegas)
FTZ No. 126	Sparks	(Reno)

NEW HAMPSHIRE

FTZ No. 81	Portsmouth	

NEW JERSEY

FTZ No. 44	Morris County	(N.Y.C.)
FTZ No. 49	Newark/Elizabeth	(N.Y.C.)

NEW MEXICO

FTZ No. 110	Albuquerque	

NEW YORK

FTZ No. 1	New York City	
FTZ No. 23	Buffalo	(Buffalo-Niagara Falls)
FTZ No. 34	Niagara County	
FTZ No. 37	Orange County	(N.Y.C.)
FTZ No. 52	Suffolk County	(N.Y.C.)
FTZ No. 54	Clinton County	(Champlain-Rouses Point)
FTZ No. 90	County of Onondaga	(Syracuse)
FTZ No. 109	Jefferson	(Alexandria Bay)
FTZ No. 111	JFK Int'l Airport	(N.Y.C.)
FTZ No. 118	Ogdensburg	
FTZ No. 121	Albany	
FTZ No. 141	Monroe County	(Rochester)

NORTH CAROLINA

FTZ No. 57	Mecklenburg County	(Charlotte)
FTZ No. 66	Wilmington	
FTZ No. 67	Morehead City	(Beaufort-Morehead City)
FTZ No. 93	Raleigh/Durham	(Durham)

NORTH DAKOTA

FTZ No. 103	Grand Forks	(Pembina)

OHIO

FTZ No. 8	Toledo	
FTZ No. 40	Cleveland	
FTZ No. 46	Butler County	(Cincinnati)
FTZ No. 100	Dayton	
FTZ No. 101	Clinton	(Dayton)
FTZ No. 138	Franklin County	(Columbus)

OKLAHOMA

FTZ No. 53	Rogers County	(Tulsa)
FTZ No. 106	Oklahoma City	

OREGON

FTZ No. 45	Portland	
FTZ No. 132	Coos County	(Coos Bay)

PENNSYLVANIA

FTZ No. 24	Pittston	(Wilkes-Barre/Scranton)
FTZ No. 33	Allegheny County	(Pittsburgh)
FTZ No. 35	Philadelphia	

PUERTO RICO

FTZ No. 7	Mayaguez	
FTZ No. 61	Guaynabo	(San Juan)

RHODE ISLAND

FTZ No. 105	Providence & North Kingstown	(Providence)

SOUTH CAROLINA

FTZ No. 21	Dorchester County	(Charleston)
FTZ No. 38	Spartanburg County	(Greenville-Spartanburg)
FTZ No. 127	West Columbia	(Columbia)

TENNESSEE

FTZ No. 77	Memphis	
FTZ No. 78	Nashville	
FTZ No. 134	Chattanooga	

TEXAS

* FTZ No. 12	McAllen	(Hidalgo)
FTZ No. 36	Galveston	
FTZ No. 39	Dallas/Ft. Worth	
* FTZ No. 62	Brownsville	
* FTZ No. 68	El Paso	
FTZ No. 80	San Antonio	
FTZ No. 84	Harris County	(Houston)
* FTZ No. 94	Webb County	(Laredo)
* FTZ No. 95	Starr County	(Rio Grande City & Roma)
* FTZ No. 96	Maverick County	(Eagle Pass)
* FTZ No. 97	Val Verde County	(Del Rio)
FTZ No. 113	Ellis County	(Dallas/Ft. Worth)
FTZ No. 115	Beaumont	
FTZ No. 116	Jefferson County	(Port Arthur)
FTZ No. 117	Orange County	
FTZ No. 122	Corpus Christi	

UTAH

FTZ No. 30	Salt Lake City	

VERMONT

FTZ No. 55	Burlington	
FTZ No. 91	Newport	(Derby Line)

VIRGINIA

FTZ No. 20	Suffolk	(Norfolk-Newport News)
FTZ No. 137	Wash. Dulles Int'l Airport	(Washington, D.C.)

WASHINGTON

FTZ No. 5	Seattle	
FTZ No. 85	Everett	(Puget Sound)
FTZ No. 86	Tacoma	(Puget Sound)
FTZ No. 120	Cowlitz	(Longview)
FTZ No. 128	Whatcom County	(Bellingham)
FTZ No. 129	Whatcom County	(Bellingham)
FTZ No. 130	Whatcom County	(Blaine)
FTZ No. 131	Whatcom County	(Sumas)

WISCONSIN

FTZ No. 41	Milwaukee	

*Customs Port of Entry is given when names of zone community and POE do not coincide.

[1] U.S. zones on Mexican border marked with asterick (*)(Texas, Arizona).

APPENDIX B

SUMMARY FTZ STATISTICS
($ bil)

	1981	1982	1983	1984	1985	1986*
Merchandise Received						
GF Zones	1.2	1.4	1.7	1.9	2.0	2.5
Subzones	1.9	2.0	4.8	13.1	19.7	36.0
Total	3.0	3.4	6.5	15.0	21.7	38.5
% Subzones	61%	59%	73%	87%	91%	94%
Domestic Inputs (%)						
GF Zones	38%	32%	28%	26%	19%	13%
Subzones	31%	44%	65%	76%	79%	84%
Average	34%	39%	55%	70%	73%	79%
Foreign Receipts						
GF Zones	0.7	0.9	1.2	1.4	1.6	2.2
Subzones	1.3	1.1	1.7	3.1	4.2	5.8
Total	2.0	2.1	2.9	4.5	5.8	8.0
Exports						
GF Zones	0.5	0.8	0.6	0.6	0.6	0.6
Subzones	0.4	0.7	1.0	2.0	3.2	4.1
Total	0.9	1.5	1.7	2.6	3.8	4.7
Export Ratio (%)						
GF Zones	45%	57%	45%	29%	30%	24%
Subzones	21%	30%	16%	11%	11%	10%
Average	32%	39%	21%	13%	12%	11%
Number Reporting						
GF Zones	39	45	44	55	60	58
Subzones	8	10	15	26	39	45
Total	47	55	59	81	99	103
Zone Projects	43	49	49	62	69	67
Auto Subzones						
No. Active	9	9	9	14	20	26
Merch. Recd	0.9	1.1	3.7	11.6	17.4	33.6
% of Zone Activity	31%	~ 33%	57%	78%	80%	87%
Sourcing						
Foreign	0.4	0.4	1.0	2.2	2.9	4.7
Domestic	0.5	0.7	2.7	9.4	14.5	28.9
% Foreign	47%	36%	26%	19%	17%	14%

*Preliminary

Q: What about this criticism of the maquila industry in Mexico, i.e., that it won't really hit the biggest elements of the Mexican unemployment problem (men and those over age 30)?

A: With such large scale unemployment or underemployment in Mexico, it's difficult to imagine criticizing a program that is creating employment faster than any other sector in Mexico.

Q: What does your most recent data show regarding the effect of the maquiladora program on the U.S. suppliers and services industries and the effect on jobs in the U.S. in these sectors?

A: The Administration itself has not compiled any data regarding the impact on manufacturing, services or employment in the U.S., but believes the soon-to-be-completed U.S. International Trade Commission study on this topic will provide such data.

Q: Do you agree with Dr. Biedermann that there is a direct link between production sharing operations; saving U.S. jobs; nd protecting a multi-billion dollar U.S. product market?

A: I believe that numerous studies have conclusively shown that, for some manufacturers, production sharing operations have saved U.S. jobs and improved the competitiveness of the U.S. producer.

Q: Aside from maquiladora investment that seems to do rather well, what good news, if any, can you give us about the climate for foreign investment in Mexico in 1987 and especially since the GATT decision of Mexico in 1986?

A: The positive prospects for an upturn in the Mexican economy in 1988 is probably the key to an improved investment climate in Mexico. The several billion dollars of capital repatriated to Mexico in 1987 can be partially explained by the confidence of investors in Mexico's economic prospects. In addition, an estimated $2 billion in new investment capital will be attracted to Mexico in 1987 as a result of Mexico's debt-equity program. Finally, the strengthened patent and trademark law implemented by Mexico in January 1987 has also improved the investment climate.

Q: Do you see this type of proposal in Mexico as something threatening the maquiladora program; is this just rumor or is there talk within Mexico of putting these or other "Buy Mexico" requirements on the maquiladora operations? (Wall Street Journal, November 14, 1985 article, ex.)

A: Currently, the Mexican material content of items produced in maquiladoras is less than 2 percent of the total material content of the item. The Mexican Government is interested in increasing the Mexican material content and is considering doing so through the use of incentives. This could include tax incentives or authorizing a maquila to sell up to 20 percent of its output into the domestic Mexican market if the Mexican content of the items produced is a certain percentage. The Administration shares your concern over the use of any possible domestic content requirements and will carefully examine any such requirements in light of Mexico's GATT obligations.

Q: What is your estimate of the effect that the maquiladora program is having on the condition of U.S. banks along the southwest border, and what is your long-range forecast for the effect that the maquiladora program will have on the stability of banks in the region?

A: I have no personal knowledge of the condition of U.S. banks along the southwest border and, thus, cannot make any forecasts as to their future condition. I would note, however, that the growth in maquilas has increased the demand for financial services (such as bank transfers, payroll services and mortgage services for U.S. management personnel).

Q: Do you see any movement in Mexico since they joined GATT last year, that would signal a loosening of Mexican protectionist policies against U.S. agricultural exports into Mexico?

A: There has been substantial trade liberalization in the Mexican agricultural sector since Mexico acceded to the GATT in August 1986. Specifically, the number of agricultural tariff items subject to import licensing requirements has been reduced from about 450 to 38. High duties (up to 40 percent) remain on many of the items for which licensing requirements have been removed, but Mexico intends to reduce the highest duties to 30 percent by October 1988. In addition, Mexico has already indicated its willingness to further reduce these duties via the tariff negotiating exercise of the Uruguay Round.

Q: What is your assessment of the effect the maquiladora program will have on Mexican expenditures in U.S. border communities in 1986 and 1987? Be specific.

A: I believe that the booming investment in maquiladora facilities, primarily along the U.S.-Mexico border, in 1986 and 1987 has had and will continue to have a positive impact on U.S. border communities. The increase of about 80,000 employees and 225 facilities over that time period has resulted in increases in maquila-related expenditure in U.S. border communities on items such as retail sales, business supplies, transportaion services, financial services, real estate, local taxes, and hotel and restaurant services. A detailed study of these expenditures in Ciudad Juarez and El Paso, Texas, was completed early this year and is available through the Border Trade Alliance.

STATEMENTS OF:
CLARENCE DUPNIK, SHERIFF, PIMA COUNTY
ALVARO FRAGOSO, CHIEF OF POLICE, DOUGLAS, AZ

Senator DECONCINI. Our final group of witnesses today consist of a number of distinguished members of State and local law enforcement. Gentlemen, we are very, very pleased to have you here. It is now going to be your turn to give us a brief overview of the border situation from your perspective.

I'm particularly interested in hearing from each of you regarding specific recommendations you have for improving our law enforcement climate in the Southwest border region. I'll also ask for your input in a few proposals that Senator Domenici and I intend to put forward next month in the markup of the subcommittee's bill.

I trust that each of you have been told that because of time, I'm going to have to ask that you keep you remarks to 5 minutes or less so we can ask some questions and get through our distinguished list of witnesses. We'll begin with Sheriff Clarence Dupnik of Pima County and Mr. Alvaro Fragoso, chief of police of Douglas, AZ.

PREPARED STATEMENT

Mr. Dupnik, would you come up first and then we'll hear from the chief. Thank you for testifying yesterday in Phoenix. It was extremely helpful to have you there with other members of the southwest part of Arizona.

[A brief recess was taken.]

[The statement follows:]

STATEMENT OF CLARENCE W. DUPNIK, SENATE CAUCUS ON INTERNATIONAL NARCOTICS CONTROL HEARING, PHOENIX CITY COUNCIL CHAMBERS

Tucson and Pima County are probably fairly typical of communities our size when it comes to the problem of narcotics. In the 1960s we saw marijuana and LSD introduced into our community by the hippies and the street people. In those days the only severe drug problems we had were opium and heroin.

Eventually, a large proportion of our younger population became involved. In the '70s we were inundated with new drugs: angel dust, cocaine, etc. The impact on our community was devastating. Violence and crime soared to new heights.

Today, we estimate that as much as seventy percent of all crime is either directly or indirectly related to drugs, including the drug alcohol. Our jails and prisons are bulging. Virtually everyone in our society is in some way personally affected by this scourge.

Law enforcement reacted to this challenge in two ways: education and enforcement. In the enforcement area we committed additional resources. We formed task forces, first internally, and later, with multi-agency units.

We also reasoned that if we showed our youngsters what dope looked like and told them that it was bad for them, that they wouldn't use it. So we put together our narcotics kits and tramped off to the classrooms.

When we look to the success of our narcotics education efforts we see a striking parallel with sex education. By teaching our youth about sex, we just knew we would virtually eliminate teenage pregnancy and venereal disease. Today's headlines dispell that myth. And sadly, I think we have to admit that our drug education programs have not been any more successful. New approaches obviously are needed - and we are working on them.

Earlier, I said that Tucson's and Pima County's problems are fairly typical, and they are, except that our proximity to the Mexican border results in added crime problems. Dopers from all over the country, as well as Canada, come to Tucson to buy their drugs. The amount of cocaine, heroin and marijuana in, around and over Tucson is enormous. We are, in fact, one of the "busiest" communities in the U.S. for narcotics trafficking - a real "funnel" to other areas.

As you know, the U.S. about four years ago initiated a massive border interdiction program in the Gulf with particular emphasis on Southern Florida. This effort has been extremely successful from the standpoint of arrests made and narcotics seized. One of the reasons that this program enjoys so much success is the cooperation it receives from countries in Central and South America, as well as some of the Carribean locations.

Unfortunately, one of the efforts of Operation Hattrick has been to shift much of the traffic to our Southwestern border. Our best information indicates that roughly one-third of all narcotics comes into the United States across and around the Mexican border. The fact that more than thirty percent of the cocaine enters through Mexico is perhaps the most noteworthy statistic.

As Arizona's representative to Operation Alliance, I have the opportunity to sit on a committee that developed about a dozen law enforcement initiatives for cooperation and participation with the Mexican government. Realistically, we knew that some of our proposals would not be acceptable to the Mexicans, but we were crushed when we learned that Mexico had decided not to cooperate or participate at all. The effect of Mexico's refusal to cooperate relegates our enforcement activity to one side of the border. Without Mexico's participation a difficult enforcement position is rendered almost impossible.

The increase in narcotics smuggling activity along our border has resulted in a large increase in drug-related violence in our local communities. In Tucson, drug-related homicides have increased about fifty percent.The potential for more violence is higher yet.

The smuggling operations in Mexico have become more organized and sophisticated. The competition for the increased traffic has resulted in a number of turf wars with considerable violence in Mexico. There has been some "spill-over" to the U.S. side. We now have living in Arizona and other states, Mafia-type Mexican drug lords who have fled from Mexico. In some of our recent homicides, suspects have been identified who are Mexicans; in fact, some are Mexican police officers (Federales).

In my role with Operation Alliance, it is my function to assist in the development of law enforcement programs that will assist the border enforcement effort. In this regard I would like to note that there is considerable bitterness and resentment on the part of local officials toward the government. When plans for Operation Alliance were announced over a year ago, it was billed as a multi-agency effort with considerable participation by state and local law enforcement. As the federal agencies were beefed up, it became apparent that there was no funding for state and local participation. Either this was an oversight or there was a presumption that state and local agencies had the necessary resources for this new activity. I can assume that the latter is not true.

Most of us are not able to provide adequate levels of service to our own constituents. Many of us feel that the international borders are the responsibility of the federal government. In spite of that, all of us desire to participate. I would respectfully recommend that the Congress consider increasing funding under the Anti-Drug Act of 1986 for those border states that develop border smuggling programs. In my estimation, state and local participation in Operation Alliance is vital.

Further, I would recommend that Congress pressure the Administration to assume a more aggressive position with reference to the Mexican government. The position taken by President De La Madrid with respect to the border drug problem is indefensible from any perspective.

Finally, I would like to say that I view the drug problem in the same way that I see other problems like violence and crime generally. We are unable to deal with these problems because we have come to tolerate them as a nation.

The average American literally feels overwhelmed by crime. Most feel that nothing can be done so they have retreated into their homes, put locks on their windows and tried to ignore the problem.

When we convince people that in fact something can be done and is being done, they will join us in developing programs to remove drugs from the workplace, from the schools and from the home.

The Administration has stated that drugs present the greatest threat to our national security. Having made that statement and then threatening to veto second year funding for the Drug Bill, brings to mind the old adage about "the money and the mouth." "Just say no," is a good theme, but if the government is serious about this problem it is absolutely essential that it provide more funds for the solution. The solution to the drug problem lies in enforcement, education and treatment. To say that all of those areas are substantially ineffective at present would be an understatement. If our Government is going to assume the leadership role, it must do so with more than just a slogan. Unfortunately, I believe that Chicken Little is right, "the sky really is falling!"

Senator DECONCINI. Sheriff Dupnik.

Mr. DUPNIK. Thank you very much, Senator. I'd like to express my gratitude to Senator Domenici, yourself, and Commissioner von Raab and his staff as well for coming to our State to hear about our problems and to listen to our input and some of our recommendations.

In the prepared remarks that I made yesterday, I would like to reiterate them today, as a representative both of law enforcement locally in Pima County and as Arizona's representative to Operation Alliance. Tucson and Pima County are probably fairly typical of communities our size when it comes to the problem of narcotics.

In the 1960's we saw marijuana and LSD introduced into our community by the hippies and the street people. In those days, the only severe drug problems were opium and heroin. Eventually, a large proportion of our younger population became involved.

In the 1970's we were inundated with new drugs, angel dust, cocaine, and so forth. The impact on our community was devastating. Violence and crimes soared to new heights.

Today we estimate that as much as 70 percent of all crime is either directly or indirectly related to drugs, including the drug alcohol. Our jails and prisons are bulging. Virtually everyone in our society is in some way personally affected by this problem.

Law enforcement reacted to this challenge in two ways: education and enforcement. In the enforcement area we committed additional resources. We formed task forces, first internally and later with multiagency units. We also reasoned that if we showed our youngsters what dope looked like and told them that it was bad for them that they wouldn't use them. So we put together our narcotics kits and went to the classrooms.

When we looked at the success of our narcotics education efforts, we see a striking parallel with sex education. By teaching our youth about sex, we just knew we would virtually eliminate teenage pregnancy and venereal disease. Today's headlines dispel that myth and sadly, I think we have to admit that our drug education programs have not been any more successful. New approaches are obviously needed and we are working on them.

Earlier I said that Tucson and Pima County problems are fairly typical, and they are, except that our proximity to the Mexican border results in added crime problems. Dopers from all over the country, as well as Canada, come to Tucson to buy their drugs. The amount of cocaine, heroin, and marijuana in, around, over Tucson is enormous. We are, in fact, one of the busiest communities in the United States for narcotic trafficking, a real funnel to other areas.

As you know, the United States about 4 years ago initiated a massive border interdiction program in the gulf, with particular emphasis on southern Florida. This effort has been extremely successful from the standpoint of arrests made in narcotic seized. One of the reasons that this program enjoys so much success is the cooperation it received from the countries in Central and South America as well as some of the

Caribbean countries. Unfortunately, one of the effects of Operation Hat Trick has been to ship much of the traffic to our southwestern border. Our best information indicates that roughly one-third of all narcotics comes into the United States across and around the Mexican border. The fact that more than 30 percent of the cocaine enters through Mexico is perhaps the most noteworthy statistic.

As Arizona's representatives through Operation Alliance had the opportunity to sit on a committee that developed about a dozen law enforcement initiatives for cooperation and participation with the Mexican Government. Realistically we knew that some of our proposals would not be acceptable to the Mexicans. But we were crushed when we learned that Mexico had decided not to cooperate nor participate at all.

The affect of Mexico's refusal to cooperate relegates our enforcement activity to one side of the border. Without Mexico's participation, a difficult position is rendered almost impossible.

The increase in narcotic smuggling activity along our borders have resulted in a large increase in drug-related violence in our local communities. In Tucson, drug-related homicides have increased about 50 percent. The potential for more violence is even higher. The smuggling operations in Mexico have become more organized and more sophisticated. The competition for increased traffic has resulted in a number of turf wars with considerable violence in Mexico. There has been some spillover to the U.S. side.

We now have living in Arizona and other States Mafia-type Mexican drug lords who have fled from Mexico. In some of our recent homicides, suspects have been identified who are, in fact, Mexicans, some are even Mexican police officers.

In my role with Operation Alliance, it is my function to assist in the development of law enforcement programs that will assist the border enforcement effort. In this regard I would like to know that there is considerable bitterness and resentment on the part of local officials toward the U.S. Government.

When plans for Operation Alliance were announced over 1 year ago, it was built as a multiagency effort with considerable participation by State and local law enforcement. As the Federal agencies were beefed up, it became apparent that there was no funding for State and local participation. Either this was an oversight or there was a presumption that State and local agencies had the necessary resources for this new activity. I can assume that the latter is not true.

Most of us are not even able to provide adequate levels of service to our own constituents. Many of us feel that the international borders are the responsibility of the Federal Government. In spite of that, all of us desire to participate.

I would respectfully recommend that the Congress consider increasing funding under the Anti-Drug Abuse Act of 1986 for those border States that develop border smuggling programs. In my estimation State and local participation and Operation Alliance is vital. Further, I would recommend that Congress pressure the administration to assume a more aggressive position with reference to the Mexican Government. The position taken by President De la Madrid with respect to the border/drug problem is indefensible from any perspective.

Finally, I would like to say that I view the drug problem in the same way that I see other problems like violence and crime generally. We are unable to deal with these problems because we have come to tolerate them as a Nation. The average American literally feels overwhelmed by crime. Most feel that nothing can be done so they have retreated into their homes, put locks on their windows and tried to ignore the problem.

When we convince people that, in fact, something can be done, they will join us in developing programs to remove drugs from the work place, from the schools, and from the home. The administration has stated that drugs present the greatest threat to our national security. Having made that statement and then threatening to veto second-year funding for the drug bill for the State, brings to mind the old adage about the money and the mouth, just say no is a good theme. But if the Government is serious about the problem, it is absolutely essential that it provides more funds for the solution.

The solution to the drug problem lies in enforcement and in education and in treatment. To say that all of those areas are substantially ineffective at present my judgment would be an understatement.

If our Government is going to assume the leadership role, it must do so with more than just the slogan. Unfortunately, I believe that Chicken Little is right, the sky really is falling. Thank you.

PREPARED STATEMENT

Senator DECONCINI. Thank you, Sheriff Dupnik. Let us hear now from Chief of Police Fragoso. Chief, if you can keep your remarks to 5 minutes, we'd appreciate it. We will put your full statement in the record and I'm sure we will have some questions.

Mr. FRAGOSO. Thank you very much. In fact, I'm not going to read my statement to you.

Senator DECONCINI. It will appear in the record if you give it to the court reporter. Thank you.

[The statement follows:]

STATEMENT OF ALVARO H. FRAGOSO

It has only been recently that everyone seems to have become increasingly aware of the seriousness and of the impact drugs and drug trafficking has on our society.

This impact is especially felt in those States bordering Mexico, not to mention those of us who live and work in cities situated on that border.

One only has to pick up a newspaper or watch the evening news to learn of another crime, a serious and oftentimes a violent crime, having been committed and which can be directly linked to the narcotics trade.

The narcotics trade is much like a giant squid whose tentacles are homicide, aggravated assault, burglary, theft, and many other crimes—all of which affect our economy, our tourist trade and the young in our communities.

This problem is not new—it is only one which has not gone away and continues to grow.

Those of us in the criminal justice system have been fighting this giant squid for many years, and it has been a fight which at times we have felt we were losing.

We have tried various and innovative enforcement techniques pooling our resources, et cetera, in an effort to hold that thin line, but again our statistics indicate that we may still be losing the fight.

At the local level, we find ourselves with little or no funds, with a shortage of personnel and with a lack of the proper equipment to do our jobs effectively.

Our local governments do not have the revenues nor the resources to adequately provide us with these things to continue this costly and time consuming struggle.

We also know that the solution or solutions to this problem are complex; too complex to be dealt with at the local level exclusively.

We, therefore, looked to the Federal Government for assistance.

We in law enforcement agree, however, that when the Federal Government addressed the issue, not enough funds were allocated to those States which do border Mexico and are adversely and directly impacted.

We have seen a slow buildup of Federal personnel along the border, and the policy of sharing or providing the local agencies with the seizures and forfeitures from joint narcotics investigations, such as the policy of the U.S. Customs Service, has helped. But, more is needed.

More staffing along the border from the Federal agencies is needed. We have seen the successes of the task force in Yuma, who, by the way, is pleased with the participation and, at times, the leadership of the U.S. Customs Service.

A newly formed Border Alliance Group Task Force is currently operating in Cochise County.

These task forces are necessary to pool resources, but additional funds for hiring local personnel are needed.

The consensus of local law enforcement is that these task forces would be even more productive and successful, however, if the turf battle among the Federal agencies was resolved.

Funds for a computerized central intelligence system are needed. A system in which each county in Arizona would have the capability of receiving, entering, and distributing intelligence information to all local agencies and also connected to a statewide, central repository.

All the border States' enforcement agencies need to maintain close liaison with their Mexican counterparts.

Many have criticized having to deal with what is considered a corrupt system, but experience on the border has shown us that this is essential in many respects. Primarily to become familiar with their system to be able to work with it, or around it.

I personally believe that in addition to all our enforcement efforts, we have a duty and responsibility to participate actively in antidrug educational projects.

One cannot help but wonder that perhaps there is some validity to the statement, often made, which says that if there was no demand, there would be no supply.

This is especially true among the youth of our communities.

The more the law enforcement authorities increase their efforts, and become more successful in their operations, the more the criminal justice system sees the need for additional prosecutors with the experience in prosecuting narcotics cases.

There is also a need for additional judges to hear the increasing amount of narcotics cases.

Funds for these additional positions and courts place a large burden on the local governments.

Federal funds and assistance is also greatly needed in this area.

STATEMENT OF ALVARO FRAGOSO

Mr. FRAGOSO. I can only echo what Sheriff Dupnik has said and emphasize that, yes, indeed at the local level we are short of funds and short of revenue. In many areas in southern borders of Arizona and New Mexico we find ourselves with little personnel to combate the narcotics problem and all the other attendant crimes to that problem.

We are receiving some help. I can testify to Commissioner von Raab's friendly and easy-going nature. And he has provided some assistance, a lot of assistance to the local agencies in Arizona, and I'm sure in other parts of the county. We have received radios from the U.S. Customs Service, for example, that provided us with voice privacy capabilities.

In joint, the narcotics operations, the U.S. Customs policy is to share 100 percent, if I'm not mistaken, with the local agencies, all the seizures and forfeitures from those narcotics, joint narcotics operations.

I want to thank Commissioner von Raab at this point, at least for the record, for that but more is needed as Sheriff Dupnik said. I feel fortunate that I can follow Sheriff Dupnik whenever we're testifying or wherever we're at because we share the same views. And I normally only have to get up here and say ditto. Thank you very much.

Senator DECONCINI. Chief, don't go away. I'll ask you the question I wanted to submit. I appreciate your voluntary comment regarding Customs. Do you find that in general you are receiving more cooperation from Federal law enforcement, including Customs, than you have the past 4 or 5 years or during your experience along the border?

Mr. FRAGOSO. Yes; we have. We have always, in Douglas of course, had an opportunity to work with most of the Federal agencies. What we find in some instances, and this is not only my opinion but several other law enforcement officers all along the border; is that we see some, what we would call a turf battle between the Federal agencies themselves. As far as cooperating with the local agencies, we have no problem.

Senator DECONCINI. Cooperating among each other then?

Mr. FRAGOSO. Among each other, sometimes we find, as I say, a turf battle.

Senator DECONCINI. Has that lessened at all?

Mr. FRAGOSO. It seems to have lessened somewhat since Operation Alliance began, and I was interested in hearing Commissioner von Raab's comments this morning about INS. That seems to be with the aid of Customs border patrol, of course, is another Federal agency that's involved in this. I believe the cause designation has helped in that.

Senator DECONCINI. Chief, we want to thank you. You've done a marvelous job in your community and you've had a handful of problems, some of which I'm aware. You've done a great job. Senator Domenici, do you have any questions of either witness?

Senator DOMENICI. I think I would like to ask the sheriff a couple of questions.

Senator DECONCINI. OK. Please don't leave, chief, in case we need to ask you some more questions.

Senator DOMENICI. Sheriff, let me—first, I don't know you other than having met you today and somewhat by reputation. I want to join in the accolades with reference to your approach. And obviously, you know what you're doing and you have a very, very fixed idea of what's going wrong in this society and I compliment you for it.

Let me ask you with reference to two distinct areas. First, one aspect of Alliance was to increase the Federal Government's capability and then make sure that that capability was used in concert with and complementary to the local law enforcement people. Is that part an improvement over the way things were 3 years ago or 4 years ago, just looking at it. And I'll address the money and Mexico separately with you, if you don't mind.

Mr. DUPNIK. I would say that the cooperation existing amongst, not only the Federal agencies, but the State and local as well is an unprecedented level. As far as Operation Alliance specifically is concerned, basically that is perceived, and I think perhaps accurately so, as basically a Federal operation along the border. There is very minimal, at least in the State of Arizona, participation with State and local people. On the other hand, there's considerable participation with State and local people in Arizona on the part of the Federal Government. And I give Commissioner von Raab and his agency credit for taking the league in that area and developing in Arizona. For example, we have four border counties and it's kind of ironic and humorous, perhaps, but when Senator DeConcini was the county attorney, he invented a wheel about 15 years ago. And unfortunately, the wheel has gone by the wayside and we're now in the process of reinventing it again. And through the, I think, leadership of the U.S. Customs Service we have developed some antidrug task forces in all four counties and we're just getting those off the ground.

But I must tell you that the resources of the local agencies are almost desperate and our participation is very minimal, but it is a step in the right direction. And as I said in my remarks, I think that if the Government, the Congress, the administration could set aside some funding for those agencies or those States that try to develop antidrug smuggling programs, set aside a little percentage for that purpose, it would greatly enhance our ability to deal with Operation Alliance. At the present time we don't have the ability to do that.

Senator DOMENICI. While you were around when we invented the LEAA nationally and, obviously, you wouldn't find any difficulty with Senator DeConcini and Senator Domenici in trying to narrow down the scope to border communities that have drug prevention, antismuggling programs. But obviously it would be very difficult, in my opinion, to keep that from becoming a national program and spreading across the Nation because every law enforcement agency in America seems to have problems beyond their capacity. Yours are perhaps more severe and maybe more uncontrollable because of the border. But I imagine we can hold a hearing in Wisconsin or Minneapolis and your counterpart would be telling us how taxed his men are and his resources and his capabilities, so we would have a very difficult time, in my opinion, having a small regionalized program getting active. But I do understand how beneficial that would be to the moral and effectiveness in concert with the beefed-up Federal program through U.S. attorneys and the Drug Enforcement Administration and Federal Bureau of Investigation where they are actually getting a lot more resources and effecting more arrests and doing a substantially better job, perhaps not even catching up, nonetheless doing more from the statistics.

Now let me ask you second, with reference to Mexico. You're not inhibited by any relationship you have to the Federal Government, in any of our compartmentalization where you don't speak on this issue unless you're from the State Department, if you do they get mad at you and Commissioner von Raab gets taken to the woodshed because it's Secretary of State Schultz's problem. You don't have that, so would you tell us just briefly, when you say there was a great degree of bitterness when Alliance was announced to find that Mexico did not seek to join, what do you mean? What could they have done in simple understandable language that they didn't do that would have eliminated some of this quote "bitterness" and had a little bit of a salutory impact?

Mr. DUPNIK. There were a number of things that we asked them to do, specifically, last August, I believe, when President De la Madrid was in Washington. What we asked them to do was to join in some programs that we developed, that called for joint participation.

None of the proposals that we made, and some of them I can't go into specifically, but none of the programs that we proposed involved our people going into Mexico on our own, acting, making arrests, that kind of activity. All of our proposals, whether they be on land or in the air or on the ocean involve participation with their people and our people and when they were in their waters over their air space on their property, they would be under the control of the Mexicans and vice versa. We assumed that that approach would have some appeal to Mexico if they truely were interested in dealing in some decisive way with a serious internal problem that they as well have. And I, for one, was kind of shocked when the door was shut.

Senator DOMENICI. And that, as you view it as a law enforcement officer, makes the problem, problem-solving much more difficult or conversely makes positive solutions very, very ineffective; is that correct?

Mr. DUPNIK. Almost impossible, Senator. You know, we have considerable intelligence information, an issue that was discussed earlier. We know where many of the staging areas are in northern Mexico. We know where some of the vast warehouses are 5 miles from here, which are being guarded and protected by officials representing the Mexican Government. We wanted to try to deal with those kinds of problems, and we developed some tactics to do that.

Senator DOMENICI. Thank you very much.

Senator DECONCINI. Commissioner, do you want to ask a questions?

Mr. VON RAAB. I am involved in two exercises in Washington that bear on interdiction. One is the Operation Alliance Group; and second is the Interdiction Committee.

Operation Alliance oversees the actual operations, as you're aware, although I'm not on the committee itself. Second, the Interdiction Committee is responsible for pulling together the interdiction effort from a conceptual perspective. What one or two suggestions would you make that I should push in Washington; I know the $225 million issue and the Mexican issue. But, in a procedural, tactical, or strategic sense, is there anything that we're not pushing or trying that you think we should try?

Mr. DUPNIK. Well, from a tactical standpoint, I see some problems with Operation Alliance. Basically, Operation Alliance is nothing more than each agency, and particularly it's a Customs and INS operations. And from a logical standpoint, if you look at what's happened, it's easy to understand how that's developed. They have the responsibility for protecting that border. They're the agencies that have been beefed-up. But by and large, what we've accomplished is nothing more than establishment of some mobile corridor operation.

There really hasn't been any local participation and there hasn't been any sophisticated planning or strategizing by that particular group. And part of the problem is that after some discussion on this very point with the Attorney General when he was in Tucson last February, we mutually agreed that the reason for that is because Operation Alliance is not a thing, it is not an entity, it is a process. And as long as it continues to be nothing more than a process then, I think, we can anticipate that kind of minimal response.

I don't mean to say, minimize what's going on. I think that the introduction of the aerostats and the upgrading of your agency's ability to deal with aircrafts is going to enhance our efforts considerably. But I think that there's more that could be done if you made that agency a meaningful agency.

Mr. VON RAAB. You mean——

Mr. DUPNIK. I keep using the word "agency", that process a more meaningful process.

Mr. VON RAAB. So they should prepare operation plans, things like that. Is that what you're saying?

Mr. DUPNIK. I agree with you.

Senator DECONCINI. And along that line, do you use local law enforcement as a part of that plan.

Mr. DUPNIK. Exactly. They haven't really provided a way or means for local and State participation.

Mr. VON RAAB. In Florida we have something that's called blue lightening and they actually have intelligence committees, tactical interdiction committees and they sit down together and 27 sheriffs and police departments and the Customs Service and Coast Guard. They develop an operations plan and everyone is committed to it. One of the values is that Washington isn't involved in that.

Mr. DUPNIK. I think each State, each State could maybe—ought to have their own subcommittee to do that kind of planning and strategizing. It's of no significance for me, as Arizona's representative, to get involved in what's going on in Mexico or New Mexico or California. I think maybe that's one of the reasons that it has been a little more successful, plus the borders are a lot easier to protect in south Florida than they are along our Mexican border. But I think a subcommittee within each State would be helpful. It would force us to look at that border and come up with ways mutually to develop some——

Mr. VON RAAB. Pull together the county, State, and local efforts?

Mr. DUPNIK. Yes, exactly.

Mr. VON RAAB. In other words, pull those together?

Mr. DUPNIK. Yes.

Mr. VON RAAB. I think that's a good idea. I will. If I can't get Operation Alliance to do it, we'll do it.

Mr. DUPNIK. That's the way it has been and I appreciate it.

Senator DECONCINI. Thank you very much, sheriff, for your testimony and your leadership in this area.

STATEMENT OF WILLIAM A. PETTIT, MAYOR, BISBEE, AZ

PREPARED STATEMENT

Senator DECONCINI. We're going to hear from Mayor Bill Pettit of Bisbee, AZ. Mayor, thank you for traveling so far and being so patient. I know you have also witnessed a tremendous increase in drug trafficking in your community. With your limited resources, we welcome your testimony and if you could keep it to 5 minutes, we may have some questions for you.

[The statement follows:]

STATEMENT OF WILLIAM A. PETTIT

BACKGROUND INFORMATION:

The first meeting of the Border Friendship Committee was held in March, 1987 in Naco, Sonora, Mexico. The next meeting was held on June 16, 1987, hosted by the City of Bisbee, Arizona. The Border Friendship Committee is comprised of elected officials, business representatives, educators, chamber of commerces and various leaders of local communities. Each side of the Mexican-American border has a counterpart representing each country. Enclosed you will find a list of the people in attendance at the June 16 meeting, held in Bisbee, and their addresses. This is an exceptionally well-represented group of people from Mexico and Cochise County, Arizona. Among the many items discussed in roundtable discussions were:

The Southern Pacific Railroad Abandonment;
The Maquilladoras Program;
Trade Between the Two Countries;
Education;
Tourism;
International Service Organizations;
Law Enforcement; and
Drug Traffic on the Mexican Border.

I. The Southern Pacific Railroad Abandonment (Benson/Douglas)

You will find resolutions from all of the cities in Cochise County, including Bisbee, Sierra Vista, Willcox, Tombstone, Benson and Douglas. (A copy of Resolution No. 868, passed by the City of Douglas on July 13, 1987, is not available in this packet.) Enclosed is a copy of a resolution passed by the Cochise County Board of Supervisors. The feeling of the elected officials and other members present at both Border Friendship Committee meetings is that the loss of the rail line from Benson to Douglas leaves Southeastern Arizona and Northern Sonora in a very undesirable position, with little possibility for future growth or economic improvement. Bisbee and Douglas are fifty miles from an interstate highway; Tombstone and Sierra Vista are twenty-five miles from an interstate highway. With the loss of the rail system, the towns that I have just mentioned can only be served by truck~~s~~. There is a minimal four-lane highway from Interstate 10 to Sierra Vista. The cities of Tombstone, Bisbee and Douglas can only be reached through state highways consisting of only two lanes, which was the original route of U.S. 80 and has received minor improvements since its inception. The last major work done on that route was in the 1930's. The cities of Nacozari, Naco and Cananea, Sonora, Mexico, in addition to numerous smaller communities in Northern Sonora, Mexico will also be adversely affected by the loss of the railroad. At Nacozari and Cananea are two of the largest mines and smelters in Northern Sonora. Both mines have made plans to ship ore for smelting and refining as their smelter is not designed for this. The mine in Nacozari plans to ship ore to Playas, New Mexico and the mine in Cananea has plans to produce an ore that would be shipped from Cananea, Sonora to Canada for processing.

II. The Maquilladoras Program

The Maquilladoras programs are vital to the survival of private retail sales in Southern Arizona. A large percentage of the payroll dollars generated in Northern Sonora ultimately are spent in Southern Arizona purchasing clothing, groceries, medications and the necessary household items that are not available in Mexico. The Maquilladoras Program also provides a percentage of employment to residents on the U.S. side of the border directly related to the plants in Mexico. Those of us in Cochise County feel that the Maquilladoras Program, together with the railroad, are necessary for the future growth and economic survival along the Arizona-Mexico border. We also believe that in the event that these plants do not operate in Northern Mexico and throughout Mexico these jobs and money will utlimately wind up in third world nations and the plants still would not operate within the United States.

III. Trade Between the Two Countries

It is an absolute necessity to have daily commercial trade between Mexico and Arizona. Northern Mexico relies very heavily on retail stores in Southern Arizona for many of their goods and a great deal of the medical products available only in the United States.

Northern Sonora does not have medical facilities comparable to those in Southern Arizona. A large percentage of medical treatment provided to those in Northern Sonora is provided in local hospitals throughout Southern Arizona. Specialists, such as are available in Sierra Vista and Tucson, are the nearest available for residents in Northern Mexico. It is imperative that we be able to provide these services to the Mexican citizens on a twenty-four hour a day basis by expediting their crossing into the United States.

IV. Education

The educators in both Arizona and Northern Sonora are working out cooperative agreements between school districts within the United States and schools in Sonora, Mexico. Attached you will find a short position paper prepared by educators from Arizona and Mexico. An interesting note is that one of the strongest requests made by educators in Northern Mexico is the possibility of obtaining substance abuse booklets, manuals and programs which are used throughout the United States, of which many are being published by the United States government printing service. A few of these pamphlets are available in Spanish, but it would be extremely beneficial to have a large quantity available in Spanish and also any video material that is available on a bilingual basis. Any help that the government can provide us along the border to assist in obtaining this information for the school systems in Sonora Mexico I believe will ultimately decrease or have a positive effect on the drug problem that we now presently have in the United States.

V. Tourism

The enclosed position paper prepared by Chamber of Commerces from both sides of the border greatly affirm the need for a positive approach for tourism between the United States and Mexico. The tourism that could be generated will benefit Arizona and Mexico as well.

VI. International Service Organizations

International service organizations such as Kiwanis, Rotary Club and Lions Club have their counterparts in Mexico and could be of great benefit both to Mexico and the U.S. side of the border. The service organizations in Northern Sonora have expressed a strong desire to have a better international relationship and visitation amongst the organizations. Their position is that they feel through better acquaintance with each other, the border situation can be improved through efforts of these service organizations.

VII. Law Enforcement

Members of the law enforcement community met from both sides of the border and I believe the meeting to have been beneficial. Mexican authorities expressed a desire to receive training and information from law enforcement officials in the United States. I believe by cultivating this cooperation through training, we will greatly improve and enhance the war on burglaries, car thefts, illegal aliens and have a far greater impact on drug traffic than we have seen in the past. Although this will require a long-term endeavor, I feel it is ultimately an integral part of containing the smuggling of narcotics across the border.

VII. Drug Traffic on the Mexican Border

This is a socioeconomic problem that I have studied for the last thirty years and can only come to the conclusion that to ultimately bring it down to the point where we can live with it is to dry up the source of sales for the illegal substances. This can only be done through education and social change in our country. Law enforcement officials have worked for thirty years trying to control drugs along the Mexican border and have done an exceptional job given the circumstance of low budgets, short manpower and 2,000 miles of international border, a great deal of which is only accessible by foot or horseback.

Education through our school systems and responsible parents is only one approach to correcting substance abuse in the United States. A number of the rehabilitation programs have proven successful with a percentage of cure that makes the programs valid for the monies expended.

My personal belief is that through cooperation between the United States and Mexico in the law enforcement agencies, the amount of drugs that cross our international border will utlimately be reduced even though it seems to be a completely overwhelming task. The trust necessary between law enforcement officers from the two countries can possibly best be accomplished by our law enforcement officers from the United States assisting in the training of law enforcement officers in Mexico. The belief that most law enforcement officers in Mexico are corrupt is totally incorrect. I was born and raised on the Mexican border and after my retirement from law enforcement in California, I returned here in 1971. After my retirement as a police lieutenant and Chief of Detectives in California, I spent a number of years as Chief Investigator for the Cochise County Attorney's office. I am not unfamiliar with a number of law enforcement officers in Mexico with whom I have worked in the past, but I also know that many of them are good, honest, and conscientious officers. Through our cooperation with them, we will obtain the respect and cooperation of the Mexican officers, thereby improving many law enforcement problems between the U.S and Mexico.

This is a brief summation of a few of the problems we encounter living along the U.S.-Mexico border. The Border Friendship Committee, of which officials from Northern Sonora and Arizona have formed, is not to be construed to be in conflict with the Arizona Border Commission nor the Sonora Arizona Commission of Mexico. This is a local effort, at a local level, trying to resolve local problems with those tools that are available to us at this time.

As you will note in the packet, there are letters of support from every mayor and city within Cochise County and the elected officials in Cochise County who endorse our Border Friendship Committee's efforts in trying to resolve as many problems as we can locally.

Because of lack of funds, each city bears its individual burden of trying to produce the materials on its own as best it can. It would be of great benefit if there were a limited amount of funds available so that the local groups could finance a method of reproducing bilingual literature and meetings in order to perpetrate the achievements and advancements we have already made at this point.

I realize this is a very brief summation of our local problems, but due to the short notice before coming before this Committee, I was unable to prepare a more detailed report. For this I apologize, but I am willing, at my own expense, to come before the Committee at any time in order to give my view of the border problems and those of the other elected officials from Arizona.

Respectfully submitted,

William A. Pettit

William A. Pettit
Mayor
Bisbee, Arizona

RESOLUTION NO. R-87-366

A RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE CITY OF BISBEE, ARIZONA, COUNTY OF COCHISE, STATE OF ARIZONA, DECLARING ITS OPPOSITION TO THE ABANDONMENT OF THE SOUTHERN PACIFIC RAIL LINE BETWEEN DOUGLAS AND BENSON, ARIZONA, DECLARING A VITAL ECONOMIC DEVELOPMENT NEED, AND DECLARING AN EMERGENCY.

WHEREAS, the Arizona Department of Transportation has notified the City of Bisbee that the Southern Pacific Transportation Company has served notice to the Interstate Commerce Commission and rail users of their intent to seek permission to discontinue providing rail service along the Douglas branch line; and,

WHEREAS, the Mayor and Council of the City of Bisbee consider the continued operation of the rail line vital to its community economic needs; and

NOW THEREFORE, BE IT RESOLVED, that the City of Bisbee is in full opposition to Southern Pacific's intent to abandon said rail service and is in favor of continuing said rail service.

BE IT FURTHER RESOLVED, that the immediate operation of the provisions of this Resolution is necessary for the preservation of the public peace, health and safety of the City of Bisbee, an emergency is hereby declared to exist; and this Resolution shall be in full force and effect from and after its passage, adoption and approval by the Mayor and Common Council of the City of Bisbee, and it is hereby exempt from the referendum provisions of the Constitution and laws of the State of Arizona.

PASSED, ADOPTED AND APPROVED by the Mayor and Common Council of the City of Bisbee, Cochise County, Arizona, this 7 day of July, 1987.

William A. Pettit

William A. Pettit
Mayor

LETTER FROM CARL F. FRIEDERS, MAYOR, CITY OF SIERRA VISTA

July 10, 1987

The Honorable William Pettit
City of Bisbee
118 Arizona Street
Bisbee, Arizona 85603

Re: Southern Pacific Railroad

Dear Mayor Pettit:

On July 9, 1987, the City Council of Sierra Vista unanimously passed Resolution No. 1973 which supports your position in opposing the abandonment of your rail line.

I hope this support helps you in your concern for your city and all of Cochise County.

Good Luck!

Warmest regards,

CARL F. FRIEDERS
Mayor

RESOLUTION 1973

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF SIERRA VISTA, COCHISE COUNTY, ARIZONA, REAFFIRMING ESTABLISHED POLICY BY GOING ON RECORD AS OPPOSING SOUTHERN PACIFIC'S INTENT TO ABANDON RAIL SERVICE ON THE DOUGLAS BRANCH LINE, AND AUTHORIZING AND DIRECTING THE CITY MANAGER, CITY CLERK, CITY ATTORNEY AND THEIR DULY AUTHORIZED OFFICERS AND AGENTS TO TAKE ALL STEPS NECESSARY TO CARRY OUT THE PURPOSES AND INTENT OF THIS RESOLUTION.

WHEREAS, the Southern Pacific Railroad Company has plans to abandon their Douglas Branch Line; and

WHEREAS, Sierra Vista lost its rail service several years ago which has had a negative impact on our economic development efforts; and

WHEREAS, the loss of this rail service will have an economic impact on Cochise County and thus on Sierra Vista; and

WHEREAS, it is in the best interests of the citizens of Sierra Vista that this railroad line remain operational.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF SIERRA VISTA, ARIZONA, AS FOLLOWS:

SECTION 1

That the policy of maintaining safe, convenient cost and energy efficient intra-city transportation facilities established by Resolution 1554 be, and hereby is, affirmed.

SECTION 2

The Mayor and City Council of the City of Sierra Vista do hereby go on record as opposing Southern Pacific Railroad Companies' intent to abandon rail service on the Douglas Branch Line and urge all public entities to carefully examine the proposed abandonment and its impact on Cochise County.

SECTION 3

That the City Manager, City Clerk, City Attorney, or their duly authorized officers and agents are hereby authorized and directed to take all steps necessary to carry out the purposes and intent of this resolution.

PASSED AND ADOPTED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF SIERRA VISTA, ARIZONA, THIS 9th DAY OF July, 1987.

CARL FRIEDERS
Mayor

ATTEST:

BRUCE A. MORDHORST
City Clerk

APPROVED AS TO FORM:

FAUVER & TILL
City Attorney

LETTER FROM ALEX GRADILLAS, MAYOR, CITY OF TOMBSTONE

August 4, 1987

Interstate Commerce Commission
Washington D.C.

SUBJECT: Southern Pacific Railroad Line (Benson to Douglas)

Dear Sirs:

Please be advised that the City of Tombstone Arizona is in support of keeping the Benson-Bisbee-Douglas railroad line of the Southern Pacific open to rail traffic for this area of Cochise County, and for the Mexican Communities also served by this line.

The Economic Development efforts of Douglas, Bisbee, St. David and Sierra Vista all need the continued service of this line.

The Defense position of the United States includes the ability of this railroad line to move supplies and materials to and from Ft. Huachuca, and in and out of Mexico.

The Tourism Railroad potential from Benson to Douglas, and the reactivation of the Fairbanks to Tombstone spur line is under study, and could result in increased traffic to the entire Southern Pacific Railroad line.

As Mayor of Tombstone I wish to go on record for the City of Tombstone as being totally opposed to the abandonment of any portion of the Benson to Douglas line, and request that any action be postponed for at least 24 months to permit the Economic Development, Defense, and Tourism potentials of this line to be fully realized and taken into consideration.

Respectfully Submitted,

Alex Gradillas

Mayor Alex Gradillas

LETTER FROM JAMES F. MELLENTINE, MAYOR, CITY OF BENSON

August 7, 1987

The Honorable William Pettit
Mayor of Bisbee
118 Arizona Street
Bisbee, Arizona 85603

Dear Bill:

I am pleased to know that you will give testimony before our U.S. Congressional Delegation later this month regarding Arizona/Mexico border problems and issues. You have my complete support as you discuss railroad, tourism and law enforcement concerns with our congressmen.

Your personal experience in the law enforcement field will be especially helpful. I sincerely hope that the flood of drugs from Mexico can be slowed. Please convey our desire to jointly work with both state and federal agencies on a effective drug enforcement program.

Sincerely,

James F. Mellentine
Mayor

RESOLUTION NO. 87-06

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF WILLCOX, ARIZONA. COUNTY OF COCHISE, STATE OF ARIZONA, DECLARING ITS OPPOSITION TO THE ABANDONMENT OF THE SOUTHERN PACIFIC RAIL LINE BETWEEN DOUGLAS AND BENSON, ARIZONA.

WHEREAS, the Arizona Department of Transportation has notified the City of Willcox that the Southern Pacific Transportation Company has served notice to the Interstate Commerce Commission and rail users of their intent to seek permission to discontinue providing rail service along the Douglas branch line; and,

WHEREAS, the Mayor and Council of the City of Willcox consider the continued operation of the rail line vital to Cochise County's economic needs; and

NOW, THEREFORE, BE IT RESOLVED, that the City of Willcox is in full opposition to Southern Pacific's intent to abandon said rail service and is in favor of continuing said rail service.

PASSED, APPROVED AND ADOPTED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF WILLCOX, COCHISE COUNTY, ARIZONA, ON THIS [illegible] DAY OF July, 1987.

MAYOR

ATTEST:

CITY CLERK

LETTER FROM S.J. SANDERS, ADMINISTRATIVE ASSISTANT DEPUTY CLERK, BOARD OF SUPERVISORS, COUNTY OF COCHISE

July 15, 1987

Honorable Willaim A. Pettit
Mayor of the City of Bisbee
118 Arizona Street
Bisbee, Arizona 85603

Dear Mayor Pettit:

Enclosed is a resolution passed by the Board of Supervisors opposing the abandonment of rail service by the Southern Pacific Railroad on its Douglas branch.

A copy of this resolution has been forwarded to all state and federal legislators, and all the mayors of cities within Cochise County. A copy will also be sent to Southern Pacific. Your letter indicated that you would be sending a copy to the Arizona Department of Transportation, the Corporation Commission and the Interstate Commerce Commission. Extra copies are included for that purpose.

If this office can be of any further service, please do not hesitate to contact us.

Sincerely,

Sj Sanders

S. J. Sanders
Administrative Assistant
Deputy Clerk

RESOLUTION 87-62

A RESOLUTION OF THE COCHISE COUNTY BOARD OF SUPERVISORS OPPOSING THE ABANDONMENT OF RAIL SERVICE BY THE SOUTHERN PACIFIC RAILROAD ON ITS DOUGLAS BRANCH

WHEREAS, the economic well-being of Cochise County, its cities and its citizens depends on the maintenance of a diverse system of transportation; and

WHEREAS, rail service has historically constituted a vital element of Cochise County's transportation system; and

WHEREAS, the Cochise County Board of Supervisors has learned that the Southern Pacific Railroad intends to seek approval for abandonment of rail service on its Douglas branch; and

WHEREAS, abandonment of the Douglas branch would deprive a major portion of Cochise County, and certain cities within Cochise County, of all rail service; and

WHEREAS, loss of rail service would seriously impair the efforts of Cochise County, and the affected cities, to encourage the establishment of new businesses and industries; and

WHEREAS, failure to attract new business and industries can result in erosion of the tax base of Cochise County and the affected cities; and

WHEREAS, erosion of the tax base can impair the effective delivery of mandated government services and can also increase the tax burden imposed upon the citizens of Cochise County; and

WHEREAS, failure to attract new businesses and industries can threaten the ability of Cochise County residents to provide for their economic needs and can impede needed growth in the County's population; and

WHEREAS, lack of employment opportunities can increase citizen dependence on government-provided social services and can force existing residents to leave Cochise County to seek gainful employment; and

WHEREAS, the consequences of loss of rail service on the Douglas branch, as outlined herein, pose a potentially-serious threat to the social and economic welfare of Cochise County, its cities and its citizens.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS

That the Cochise County Board of Supervisors opposes the Southern Pacific's proposed abandonment of rail service on its Douglas Branch.

APPROVED in formal session this 13th day of July, 1987.

ATTEST:

V L Thompson

V.L. Thompson, Chairman

David S. Hunt, Administrator/Clerk

PRELIMINARY FEASIBILITY STUDY FOR OPERATION OF THE DOUGLAS BRANCH AS AN INDEPENDENT SHORTLINE RAILROAD

Submitted To: Mr. Kenneth Arne, General Manager
Can-Am Corporation
Tucson, Arizona

December 1986

Submitted By: Robert F. Emerick, Vice President
Northeast Rail Services

I. INTRODUCTION

This preliminary study was initiated at the request of Can-AM Corporation, to determine the feasibility of operating the Douglas Branch of The Southern Pacific Transportation Company as an independent and viable Shortline Railroad.

Due to the imminent closing of the Phelps-Dodge Smelter at Douglas, AZ, the Southern Pacific has announced its intentions to cease operation of the branch, due to fiscal constraints resulting from the loss of the Phelps-Dodge traffic to and from the Douglas facility. The two remaining major consignees, Paul Lime (located at Paul's Spur) and Apache Powder (located at Benson/St. David's) do not generate sufficient traffic to warrant the continued operation of the branch by the Southern Pacific.

Cessation of operations and subsequent dismantling of the track would impose economic hardship and loss of a competitive "edge" not only for the above firms, but also for the entire region as well. The fledgling Industrial Park development at Douglas, as well as the Cochise County industrial community as a whole, would be placed at an economic disadvantage, inasmuch as they would have to rely entirely on highway transportation for their client firms. Although one of the major shippers advises they would continue operation with construction of a transfer facility at Benson, it would require over 70 miles of road haulage, with its extra investment and expense, and new markets, that prefer rail service, would be difficult to develop. The loss of rail service would also require additional cost in the inbound shipment of raw materials and fuel to both major customers. Therefore it would not be in the best interests of all concerned to permit the loss of rail service if a viable alternative, such as a shortline railroad could be developed.

The viability of such a venture can be reasonably assured if a solid revenue base is developed, and a reliable consistent service is maintained, geared to the needs of the customers it serves. In addition, a firm commitment must be made by the clients, communities and governmental agencies involved, whether State, County, or Local. Unless all concerned are prepared to make such a commitment, the future of such a venture can be severely jeapordized.

Overall viability of short line railroads in the United States is clearly demonstrable.. As a Group Class II (Shortlines) railroads are significantly more profitable than their Class I counterparts. Return on total assets for Class II carriers is more than two times that of Class I carriers. As highly successful shortlines in Vermont, Michigan, New York, Pennsylvania, and New Jersey illustrate, with initial State, County, and Local support, dedicated and capable individuals can and have converted many declining rail services into revitalized members of the business community whose existence permits local industry and tourism to not only survive, but to expand and prosper, thus assuring the economic vitality of the communities they serve.

In a preliminary study, such as this, revenues are being calculated on current traffic figures, without inclusion of potential sources. Expenses are based upon operating conditions and reflect industry averages, with totals being calculated on the "high side". Only after a more in-depth study, can more accurate revenue figures be developed, to include potential sources of revenue in the term of specific dollar amounts.

II. BRANCH LINE ACQUISITION - AN ALTERNATIVE TO ABANDONMENT

Preliminary discussion with Southern Pacific Officials indicate a willingness to further explore the possibility of an alternative solution to abandonment. The Southern Pacific, as with many Class I carriers has examined and sought to divest itself of facilities that they cannot operate at a profit due to various factors. These outlets provide a "retail" feeder to them, and would contribute to their (SP) profitability without the inherent costs allied with branch line operations.

The options available, regarding the disposition of the Douglas Line would either be an outright sale of the line, or a short term lease. The Southern Pacific further indicated that any negotiated lease would have to include, as a condition, post-abandonment authority. This would enable the SP to abandon the branchline following termination of any negotiated lease. Although such a condition might appear, on the surface, to be unreasonable, it is a sound fiscal principle based upon simple economic necessity.

A lease could be negotiated with either Private or governmental Agency, either State, County or Local. In the case of the Douglas line, its geographical location on Cochise County might make a County acquisition the most feasible. Terms of such a lease would include a subsequent purchase option by the lessee or terms that would not only be favorable to a lessee but would serve as an additional inducement for a total county-wide commitment.

III. EXPENSES

Expense Projections as indicated in the Pro-forma are based on several industry averages, and other assumptions. Lease payments for the right of way are based on a zero figure, with the assumption that a lease would be negotiated between the Southern Pacific and Cochise County in lieu of taxes.

Light Maintenance expenses are calculated based upon employment of a working foreman and three laborers.

Tie replacement program expenses are calculated upon tie purchase and employment of a working foreman and three laborers.

Preliminary discussions with Northeast's contacts in the rail rehabilitation industry indicate an availability of excellent rehabilitation materials, at a reasonable cost. In addition, further contact indicates the availability of tie handling machines that, coupled with local labor, enable a more efficient and economic replacement of ties.

It should again be emphasized that the expenses in reference to maintenance are based upon only a limited inspection of the Railroad, and that a complete inspection of the line would be required to provide a more accurate forecast of required immediate and long term maintenance.

Fixed expenses are based upon employment of a General Manager, and Freight Agent who would be housed in an appropriate facility in Douglas, provided by either the City, County or Local industry. It would appear, from preliminary information, that establishment of an operating headquarters in Benson would not be economically feasible, due to the lack of suitable office or rail facilities. Until motive power and vehicle needs are better determined, acquisition of same was calculated on lease basis.

Increases on expenses are based upon a fixed percentage on either annual, bi-annual, or other basis, depending upon particular area.

IV. REVENUES

Revenue projections for the Douglas Line are based upon a per car "switching charge" which would be paid to the Railroad by the Southern Pacific on a monthly basis. Historically, Class I carriers prefer this agreement as it requires little additional accounting expense on their part, and does not require the shortline carrier to become involved in the many faceted phases of revenue accounting, with its additionally required expenses. Such a per car agreement generally includes an "escalator" whereby the shortline would receive proportionate share of any rate increase obtained by its connecting carrier. In the following Pro Forma statements, revenues are based on an average per car charge of $500.00 the first three years, with a subsequent 5% increase the fourth year.

Additional revenue in the form of "slag traffic" has been calculated as an additional source in the second through fifth years. Preliminary information indicates a continued movement of multi car shipments, which have been estimated to be approximately forty (40) cars per week. Due to its nature, a per car revenue would be far lower that the average, and has been estimated at approximately $60.00 per car, with a 5% increase in the fourth year.

Overall revenues are presented on the basis of annual traffic of 1000, 750, and 500 cars, both with and without the inclusion of the slag traffic.

V. POTENTIAL REVENUE SOURCES

Although not specifically included in this preliminary study, several potential revenue sources exist that have not, as yet, been explored in detail.

The historical background of Cochise County coupled with the influx of tourists lends itself to the possibility of establishing a tourist or excursion train operation. A tastefully designed and implemented operation, properly marketed could not only add to the viability of the Railroad but would be a large economic "booster" to the County"s many tourist attractions.

In many areas throughout the United States and Canada, operations such as this have proven to be a financial success not only to the Railroad but to the surrounding areas, and have resulted in an increase in tourist traffic. Although certain areas, such as Tombstone, do not have rail service, a combined rail-bus-rail tour could be implemented. By utilizing current facilities, overall per-train expenses would be reduced.

Preliminary inquiries reveal a potential for a large movement between Mexico and Plias, New Mexico which would be a through or "overhead" movement on the Railroad. Additional overhead traffic potential does exist. However, due to the preliminary nature of this study, no revenue or cost projections have been initiated. Nevertheless, the potential revenues available should not be overlooked.

VI MAINTENANCE AND OPERATIONAL CONSIDERATIONS

Limited examination of the Douglas Line indicates a basically sound rail system, but one with areas that will need immediate attention from a maintenance standpoint. Currently the entire line is operational, but with several "slow orders" in effect, due to track conditions. Maintenance expenses are calculated on preliminary observations, as well as industry experience. However, a more accurate forecast of immediate as well as long term maintenance can only occur after a detailed examination of the entire line.

The initial ten mile segment, southeast from Benson is in need of immediate upgrading, to include tie replacement, tamping, and allied tasks. Upgrading of this portion alone would decrease operational time significantly, with an allied savings which could be applied elsewhere, as needed.

The passing siding, located at Apache Powder (St. David's) would also require immediate upgrading, as it appears to have suffered from deferred maintenance.

It would appear, from the limited inspection, that much of the initial maintenance work, with the exceptions noted above, might be performed with locally contracted labor, whether from State or outside sources.

Operation of the line could be safely accomplished by utilizing a two man crew. Due to the limited nature of online switching duties between Douglas and Benson, additional crewmen would appear to be unnecessary either from an operational or safety standpoint. Time of operation would be governed by customer needs. However, it appears as though there would be no difficulty in a crew completing a round trip on the line within a normal working day.

VII. CONCLUSIONS & RECOMMENDATIONS

It is apparent that the loss of Rail Service to the Cochise County area between Douglas and Benson will have a severe economic impact on the entire region, both immediate and long-term. Although loss of rail service to the two major clients, Paul Lime and Apache Powder, as well as to the Douglas Industrial Development Area will cause affected firms economic hardship, continued operation of the Branch by the Southern Pacific does not appear to be fiscally sound on their part.

To attempt to require the Southern Pacific to operate a money losing property is not only impractical but an exercise in futility as well. Opposition to the impending abandonment will serve no purpose other than to postpone the inevitable, not to consider the cost to the opponents in the terms of legal fees, etc.

Fortunately, however, the concern expressed in Cochise County, during this brief study indicates that there is not only a desire to see rail service continue, but to work collectively to make it viable and expand its base. In this regard all concerned are to be commended.

Although the recently completed study is of a very limited nature, it would appear that operation of the Douglas Branch (Cochise County Railroad) as an independent shortline could be feasible. In that regard, our recommendations would be as follows:

1. Prompt implementation of an in-depth study to include but not necessarily limited to the following:
   a) A comprehensive analysis of all handled traffic on the line, to include former rail users;
   b) Examination and analysis of tourist traffic to determine traffic patterns regarding the operation of an excursion train;
   c) Identification of potential new on-line and/or overhead clients, to include Mexican traffic;
   d) Coordination with various business/industrial groups to secure commitments regarding traffic development;

2. Implementation of preliminary negotiations with appropriate officials of the Southern Pacific regarding lease or lease/purchase. This would serve as a clear intention of the communities to work with the Southern Pacific to arrive at an alternative to abandonment, one that would be beneficial to all concerned, both financially and socially.

3. A comprehensive inspection and analysis of the entire length of the Douglas Branch in order that a more accurate fiscal projection for maintenance might be forecast.

4. Formal liaision with appropriate Arizona DOT Officials to obtain whatever financial, technical or other assistance might be available.

5. Obtaining informal commitments from the appropriate County and Local Officials of affected communities. Following completion of a

> formal study, more formal commitments can be negotiated, based upon need, and fiscal constraints.

Upon completion of a more in depth study, the affected businesses and communities will be in a better position to determine, should they decide to implement a shortline, the methodology to employ, whether it be County, Local, Outside entrepreneur, or a combination.

Regardless of the method, the operation of a shortline requires a TOTAL COMMITMENT of all concerned for it to be a successful venture.

As a final recommendation, little time should be permitted to pass before implementation of an in-depth study. Unfortunately time does not appear to be on the side of the businesses and communities that will be effected by the cessation of rail service.

PRELIMINARY FEASIBILITY STUDY
DOUGLAS BRANCH (COCHISE COUNTY RAILROAD)
PRO FORMA Income Statements - First through Fifth Years

EXPENSES	1987	1988	1989	1990	1991
Transportation Train Crews 2 Men $42,000 Benefits 17,000					
	59,000	62,000	65,000	68,000	71,500
Locomotive Fuel	76,000	76,000	80,000	84,000	88,000
Locomotive Supplies	5,000	3,000	3,000	3,000	5,000
	140,000	141,000	148,000	155,000	164,000
Right of Way Maintenance Rehabilitation of First 10 Miles from Benson	170,000	------	------	------	------
Light Maint/Normal Insp.					
1 Foreman + 3 Men Wages with Benefits	75,500	79,000	83,000	87,000	92,000
Tools, etc.	4,500	2,000	1,500	2,500	2,500
	80,000	81,000	84,500	89,500	94,500

PRELIMINARY FEASIBILITY STUDY
DOUGLAS BRANCH (COCHISE COUNTY RAILROAD)
PRO FORMA Income Statements - First through Fifth Years

EXPENSES	1987	1988	1989	1990	1991
Tie Replacement					
3600 Ties Yearly	54,000	54,000	57,000	60,000	63,000
Labor	26,000	26,000	27,000	27,000	27,000
	80,000	80,000	84,000	87,000	90,000
Administrative/Fixed					
General Mgr 30,000 Benefits 12,000	42,000	44,000	46,000	49,000	52,000
Freight Agt 15,000 Benefits 6,000	21,000	22,000	23,000	24,500	26,000
Insurance	60,000	60,000	63,000	67,000	71,000
Locomotive Lease	55,000	55,000	58,000	58,000	61,000
Vehicle Lease/Maint	5,000	5,000	5,000	6,000	6,000
Utilities	5,000	5,500	6,000	6,500	7,000
Misc Expenses	5,000	5,500	6,000	6,000	6,000
	193,000	197,000	207,000	217,000	229,000
TOTAL EXPENSES	493,000	499,000	523,500	548,500	578,000

Revenue Projections - First through Fifth Years

Annual Carloads	1987	1988	1989	1990	1991
@ $500 Per Car Av.					
1000 Cars	500,000	500,000	500,000	525,000	525,000
750 Cars	375,000	375,000	375,000	394,000	394,000
500 Cars	250,000	250,000	250,000	263,000	263,000
Slag Traffic @ $60 Per Car	-------	120,000	120,000	126,000	126,000
TOTAL EXPENSES	493,000	499,000	523,500	548,500	578,000
ANNUAL PROFIT (LOSS) W/O Slag Tfc					
1000 Cars	7,000	1,000	(21,500)	(23,500)	(54,000)
750 Cars	(118,000)	(124,000)	(145,500)	(154,000)	(185,000)
500 Cars	(243,000)	(249,000)	(271,500)	(285,500)	(316,000)
ANNUAL PROFIT (LOSS) WITH SLAG TRAFFIC					
1000 Cars	--	121,000	98,500	103,500	72,500
750 Cars	--	(4,000)	(28,000)	(28,500)	(58,000)
500 Cars	--	(129,000)	(153,500)	(159,500)	(189,000)

5000 [illegible]

NOTE: Above projections based upon the following assumptions:

1. Operating and weather conditions remain "average" over five-year span with no serious natural disasters or massive derailments included.

2. Projections assume continuation of basic rate and operating agreement structure.

3. Projections EXCLUDE supplementary income from passenger excursion service, new overhead traffic or supplementary income, due to the limited nature of this study.

4. Projections assume continuation of basic railroad corporate infrastructure and relationships in Southwestern America and Mexico.

LETTER FROM ROBERT F. EMERICK, VICE PRESIDENT, NORTHEAST RAIL SERVICES, INC.

December 4, 1986

Please reply to:

233 Killington Avenue
Rutland, VT 05701

Mr. Kenneth Arne, Genl Manager
Can-Am Corporation
2302 Speedway, Suite 208
Tucson, Arizona 85719

Dear Ken:

Enclosed please find two (2) copies of the completed preliminary study on the Douglas Branch. I delayed in the finalization of the report in order that I might utilize information from the Southern Pacific and some industry contacts to present a more accurate picture of the situation at present, as well as the potential for the future.

As we had discussed during my visit, I am confident that any negotiations or discussions with the Southern Pacific will be of a very cordial nature, inasmuch as they can visualize the retention of the traffic without the inherent expenses of branchline operation. I also feel they would like the branch kept operational as an "escape route" from Mexico should they experience some problems on their own lines.

Although the revenues might seem somewhat low, particularly in the slag traffic, a conservative revenue estimate permits a more realistic anaylsis of the situation.

I am enclosing a few photos that I took during my limited inspection of the line Although they were not included in the preliminary study, I thought that you might like to have them for your own use.

I would like to again express appreciation for your contacting us for this preliminary study, and feel that with the foresight and economic realities expressed thus far, that a shortline operation can do nothing but succeed. It is refreshing indeed, to deal with individuals who have these qualities. I only hope that the other members of the Community will endeavor to see the project through to what I feel can only be an economic success.

Should you have any questions or need additional information regarding the study, please do not hesitate to contact me at any time.

With Best Wishes to you and yours for a safe and Happy Holiday Season I remain,

Very Truly Yours,

Bob

Robert F. Emerick
Vice President

TO: Can-Am Corporation

FOR PROFESSIONAL SERVICES RENDERED:

On-site inspection, meetings, preliminary
line anaylsis, etc. (3 Days)

Report Preparation information anaylsis,
Misc discussions, etc (2½ Days)

5½ Days @ $150.00 per Day		$ 825.00
EXPENSES INCURRED:		
Transportation	$440.00	
Lodging	259.00	
Vehicle Rental	185.00	
Meals, etc	75.00	
Telephone (on site)	17.00	
Misc.	26.00	
		1002.00
		$1827.00

TERMS: Net upon Receipt

LETTER FROM HAROLD VANGILDER, PRESIDENT, SIERRA VISTA ECONOMIC DEVELOPMENT FOUNDATION AND JUDY GIGNAC, COUNTY SUPERVISOR, SIERRA VISTA

July 16, 1987

William A. Pettit
Mayor
118 Arizona Street
Bisbee, AZ. 85602

Dear Mayor,

Planning relative to development of an Economic Diversification Plan for Cochise County is continuing.

Attached are minutes from our last meeting of area representatives with Mr. Ken Matzkin of the Office of Economic Adjustment, Department of Defense and representatives of the University of Arizona.

If the plan is to achieve success your involvement and support is required. To that end and as structured in item B of paragraph II in the attached Draft Scope of Work you are requested to appoint or select committee members from your community.

We suggest that you select one lay person and one "expert" to represent your interests on each of the several separate committees. For instance, a member of your city staff who is knowledgeable in environmental matters might be selected as your city's representative to the Natural Resources Committee.

A meeting of all members will be held at 9:00 A.M. on July 31 in the Board of Supervisors Hearing Room of the County Administration Building (Room 201). At that time we will meet with Mr. Matzkin and representatives of the University of Arizona. Please plan to attend along with your appointees.

Please notify Mr. Joe Luce of the Sierra Vista EDF (459-6070) of the names of your committee members along with address and phone not later than 24 July 1987.

Your participation and cooperation is requested and will serve in the best interests of your city and Cochise County.

Sincerely,

Judy Gignac

Judy Gignac
County Supervisor

Harold Vangilder
President, EDF

MINUTES OF MEETING ON

REGIONAL DIVERSIFICATION PLAN

JUNE 16, 1987

BISBEE, AZ.

Attendees:

Name:	Representing:
Kenneth Matzkin	Dept. of Defense
Cynthia Anson	Congressman Jim Kolbe
Judy Gignac	Cochise County
Joe Luce	Sierra Vista EDF
Jody N. Klein	Planning & Zoning Cochise County
Mike Goyer	City Manager - Sierra Vista
Lay James Gibson	Econ. Dev. Program - U. of A.
M. Gene Wright	Econ. Dev. Program - U. of A.
Hal Thomas	Sierra Vista EDF
Peggy O'Sullivan	Cochise County
Frank Moro	Sierra Vista IDA
Terry McGriff	Huachuca City
Colonel Swan, Jr.	KTAN
Lynn Witten	Office of Community & Public Service, U. of A.
Linda Zehentner	Bisbee
Jesse Brown	SBAGO
George Durlein	Huachuca City
Tom Perrine	Benson Chamber of Commerce

1. Introductory Remarks

Mr. Luce welcomed those in attendance and then introduced Mr. Ken Matzkin of the Office of Economic Adjustment, Department of Defense.

2. Remarks by Mr. Matzkin

Mr. Matzkin reiterated the role of his office in the development of a diversification plan in that the Office of Economic Adjustment is willing to assist communities which are dependent upon military installations to diversify their local economic base.

Discussion focused on a proposed scope of work to develop Cochise County in a variety of interlocking ways. Mr. Matzkin also expressed his pleasure at being able to attend the US - Mexico Friendship Meeting earlier in the morning in Naco.

Matzkin stressed the importance of Northern Mexico and Southern Arizona working together as allies to achieve mutual goals. He feels that as individual groups each was floundering, when they could be combining forces to promote both countries. He gave the example of a railroad being used for tourism as well as industrial uses.

Matzkin stated two primary purposes for the group meeting:

1. What do we want to do and how do we want to do it to create a comprehensive action plan?

2. Who do we want to do it?

The consensus was that people who live here who are interested in tourism, agriculture, railroads and Fort Huachuca should coordinate. He mentioned the draft of the scope of work and the in-kind contribution by the Sierra Vista EDF as far as word processing, office space and organizing meetings, etc.

Cochise County would do all basic research with an expert overseer to coordinate and recognize allies in functional areas and make sure individual interests of groups were served.

Matzkin proposed that the guts of the scope of work be accomplished by the Grantee working for the U.S. government. The proposed Grantee would be the U. of A. because of their expertise in economic development. Their organizational functions would be:

Integration of issues of transportation, industry, commercial, etc. by an overseer committee consisting of two people from each political area - Sierra Vista, Huachuca City, Fort Huachuca and so on. These people would be experts in these areas and there would be one overall Chairman to head these.Matzkin suggested that perhaps the Sierra Vista EDF and the County would co-chair and listen to oral reports of task forces to find out where allies are and progress of committees. Staff to these people would be from U. of A. and Cochise College.

1 Three Issues - Ken Matzkin proposes:

1. Overall executive committee to integrate activities of sub-committees.

2. Separate executive committees with two representatives from primary jurisdiction of Cochise County and Santa Cruz County. Fort Huachuca, with their wide range of knowledge and expertise would also be called upon to play a large role.

a. Matzkin solicits the nomination of talented people from the counties and cities to fill these committees.

3. Seven functional sub-committees

a. Discussion over combining commercial and industrial or keeping them separate. Also should military be separate entity or integrated? Fort Huachuca has expressed an interest in formalizing their ties with the City of Sierra Vista.

b. Discussion over U.S. - Mexico Friendship meeting. Joe Luce noted the Mexican viewpoint of Tourism and their concern over the lack of money exchanges in Sierra Vista on weekends and also the lack of railroad transportation between the two countries.

c. Discussion over retirement and attraction of outside tourists. Should retirement be grouped under tourism or separate?

d. Mention of leakage to Tucson; how do we keep money in Cochise County? Judy Gignac expressed concern that the focus of the sub-committees was too narrow and the need for a network of local talent. Matzkin suggested using committee members who are knowledgeable in the field that they are representing.

Matzkin cited sources of assistance from the government; Dept. of Agriculture and their Economic Research Studies, AZ. Dept. of Commerce, Economic Research Studies of the Economic Development Administration and University Economic Development Connection, etc. He stressed the importance of external allies and who can help us to develop?

Matzkin moves toward consensus on committees.

1. Natural Resources
    a. agriculture
    b. cattle grazing
    c. water
    d. minerals

2. Economic
    a. industrial (attraction)
    b. commercial (activities)
    c. tourism (recreation)
    d. retirement
    e. leakages - linkages

3. Education
    a. technical training from higher education
    b. cultural

4. Infrastructure
    a. public facilities
    b. transportation - air, railroad

It was decided to call the group, Economic Structure.

III. Research - local input to get professional external guidance from U. of A. as Grantee. Their purpose is:

A. To direct and guide committees, U. of A. leader is still needed.

B. Technical research, network of knowledge available.

Matzkin proposes second meeting in July, third meeting in August and the need to choose a Chairman and set up a time length.

IV. Plan of Action

EDF recommended the use of milestones, a time limit, objectives and a horizon time of 5 years.

A. Emphasis of who's doing what, when etc.

B. External Expert

C. Proposed series of actions - scope of work should be what needs are based upon.(Example: railroad).

Statement from Peggy O'Sullivan concerning the role of the university as Grantee. U. of A. would set up Developmental Outreach Programs using the process which the university has the expertise to implement. To become the Grantee, the scope of work will be presented to the Outreach Coordinating Committee which will be made up of representatives of several units on campus. They will recommend the structure, who will be involved and how to organize the project.

Matzkin stressed that this is not a study on Fort Huachuca but the fort does have an impact on Sierra Vista and surrounding communities. Strength in numbers will accomplish more than each individual community on it's own.

Mr. Luce requested information on funding. Matzkin said that the U.S. government will pay U. of A. as Grantee when U. of A. is ready to take on this project.

Meeting Adjourned.

COCHISE COUNTY AREA ECONOMIC DIVERSIFICATION PLAN

- Draft Scope of Work -

I. BACKGROUND

More than one-half of all direct employment in Cochise County, Arizona is in government service. This level has been diminishing in very recent years due primarily to the opportunities arising to serve the commercial needs of a growing retiree and "snowbird" population. The dominant employer there nonetheless remains Fort Huachuca, located in the county's dominant city, Sierra Vista. Civilian and military employment levels on Post have been, and are expected to be, relatively stable over time. Because of these two trends, the proportion of government employment in Sierra Vista has also recently been falling. Motivated by its region's experiences over the past decade of major job losses in its traditional mining industry major, Sierra Vista leaders are committed to continuing the diversification of their economy.

The leadership in the county and neighboring communities wish to participate in Sierra Vista's emerging economic development program to: 1) further combat their individual economic setbacks; and 2) integrate the region's resources to assure a sufficient critical mass for effective development. They propose to address this interest initially by incorporating local, volunteer, and local government expertise with outside professional help to accomplish a Comprehensive Economic Diversification Strategy covering a five year period. The scope of this effort is outlined below.

II. ORGANIZATION

A. The grantee will coordinate its efforts with a special Comprehensive Economic Diversification Strategy Executive Committee composed of community representatives.

B. Separate Committees, each of which will be joined by the grantee, will pursue the following functional areas:

1. Natural Resources
    a. air/water
    b. minerals
    c. grazing/agriculture
2. Economic Structures
    a. industrial
    b. commercial
    c. leakages/linkages
    d. recreation/tourism/vacationing
3. Education
    a. skills training
    b. higher education
    c. cultural
4. Infrastructure
    a. public services and facilities
    b. transportation

C. The grantee will use the research of community-based Committees established for the purpose of reviewing the region's economy.

III. RESEARCH

A. The grantee, in cooperation with the Executive Committee, will direct and guide the Committees to:

1. identify and deliver to the grantee existing studies, data, reports and other information that describe the region and its economy;
2. perform brief research tasks to fill important information gaps; and
3. recommend topics for further research and/or inclusion in the plan.

B. The grantee will undertake information development tasks not otherwise identified only to the extent that the grantee, Executive Committee, and the grantor consider them as required to demonstrate the utility/desirability of the Action Plan.

C. The grantee will analyze, coordinate, integrate, and synthesize available information, research, and recommendations.

IV. ACTION PLAN

A. The grantee will devise a set of objectives whereby each community can gauge its success in implementing the plan. The objectives will be presented as:

1. quantifiable and quantified; and
2. time phased, i.e. start and finish dates (when applicable).

B. The grantee will offer advice concerning the accomplishment of each objective. It will include:

1. recommendations for local lead and participating institutions;
2. sources of useful technical and/or financial support; and
3. brief examples of similar, successful initiatives.

C. The grantee will propose a series of action projects to be undertaken during the five year event horizon covered by the strategy. These projects will be as practical as possible when considering the following constraints:

1. existing public and private infrastructure;
2. the project cost versus its likely return;
3. competing markets; and
4. likely local acceptance.

D. The grantee will describe the interrelationships among the various projects to assure their effective and timely implementation.

V. BIBLIOGRAPHY

A. The grantee will provide an annotated bibliography of all published information used in developing the plan. This will include at least:

1. pre-exising information identified during the Research (A.1.&2.) phase;
2. information developed during the Research (B.) phase; and
3. information about other initiatives used in formulating the Action Plan (B. 3.) section.

TO: Bill Pettit, Mayor, City of Bisbee

FROM: Gene Brust, Palominas
Janet de Martínez Bernal, Cochise College
Eleuterio Molina Hernández, Naco
Clemente Sainz Monge, Cananea
John Sinclair, Sierra Vista
Lidia Tamayo Valdez, Naco
Armando Valenzuela Escárcega, Naco

RE: Education Committee Report, Second Friendship Meeting

DATE: June 16, 1987

The Education Committee of this Second Friendship Meeting, U.S.-Mexico, made up of representatives from Cananea and Naco, Sonora, and Palominas and Sierra Vista, Arizona, presents the following recommendations:

-- That the immigration authorities facilitate the procedures necessary for letting school buses pass for cultural or sports events or for student exchanges, with reference also to individuals without a border crossing card. We propose formation of a committee with representatives from INS and from the affected cities from both countires to address the issue. We reiterate the importance of twenty-four hour opening of the Port of Naco as part of facilitating such exchanges.

-- That we organize short-term exchange homestays with host families so that young people from both countries can better know the language, customs and history of our border region.

-- that we plan cultural and sports exchanges to bring closer together the peoples of the United States and Mexico.

ADDENDUM

Subsequent discussion with INS and Customs officials yielded the opinion that lack of communication is at the bottom of many of the border crossing difficulties for groups from Mexico. INS would consider sending letters in Spanish to schools and clubs in neighboring Sonoran communities explaining the procedures necessary for groups planning to visit the U.S.

ADDENDUM (en español)

En una conversación después de la reunión, los oficiales de inmigración opinaron que la falta de comunicación es el origen de las dificultades que encuentran los grupos mexicanos que quieren cruzar la frontera. A ellos les parecía bien la idea de mandar una carta en español a las escuelas y clubs de las ciudades sonorenses vecinas para explicar los procedimientos necesarios que los grupos que desean visitar los E.U. deben seguir.

POSITION PAPER FOR THE ARIZONA-MEXICO
TOURISM COMMITTEE - (CHAMBER OF COMMERCE)
JUNE 16, 1987

PARTICIPANTS WERE:

Manuel Bravo - Naco, Son. Chamber
Ruben Rajel - Cananea Lions Club
Russ Alger - Bisbee Chamber
Mariano Marquez - Naco, Son. City Council
Bryant Evans - Sierra Vista Chamber
Debi Sanders - Sierra Vista Chamber
Tom Perrine - Benson Chamber
Ben Traywick - Tombstone Tourism Committee
Roy Greenwood - Sierra Vista
Ellen Clark - Willcox Chamber
Ramiro Ross, AZ Mexico Commission who served as our interpreter

ISSUES OF VITAL INTEREST WERE:

1. That we maintain the Arizona Office of Tourism as a separate agency from the Department of Commerce.

   a. Tourism will become (by the year 2000), very soon, the largest industry in the State of Arizona and deserves an office, a specific personality and a separate effort to promote it as an industry.

   b. That the savings will be minimal and the loss to tourism in direction and emphasis very large.

2. That we make every effort to have retail and tourism places of business be capable of exchanging pesos to dollars to expedite Mexican consumers making purchases in Cochise County.

   a. Sierra Vista was used as an example and the Sierra Vista Chamber representatives expressed an interest in providing that service in Sierra Vista either through the private sector (establishing an "exchange" as a new business) or through the Chamber.

   b. The point was made that exchange of pesos for dollars should be advertised in Naco and Cananea over the radio and in the newspapers and pamphlets available there with established hours especially Friday, Saturday and Sunday.

3. The suggestion was made that we continue to support the 24 hour opening of the border at Naco.

   a. It was understood there is a movement to get it opened 24 hours a day in a couple of months.

   b. If visitors from Naco or Sonora are in Sierra Vista they must cut their visits short to meet the present 10:00 P.M. closing. Otherwise, they must travel to Douglas to cross which means at least two extra hours.

4. There is presently a Cochise County Chambers' organization that prints a County Calendar of Events and meets routinely to develop ways to work together. We must expand that organization to include Sonora by adding their activities to the calendar and by circulating the calendar in Sonora; by inviting members of the tourism industry to attend and by expanding the scope of the meetings.

a. And, that we make every effort to expand the Cochise/Sonora group to efforts on a State-wide basis.

b. That we immediately begin an effort to exchange brochures, posters, maps, etc. between Cochise County Chambers and tourism agencies and the Sonoran agencies. The statement was made that many people want to travel in Mexico but we, in Cochise County, have little information to offer visitors. This also applied for the Sonoran representatives.

Respectfully submitted,

ELLEN CLARK, Exec. Dir
Willcox Chamber of Commerce and Agriculture
1500 N. Circle I Road
Willcox, AZ 85643

US-MEXICO FRIENDSHIP MEETING
HELD ON JUNE 16, 1987
AT THE BISBEE MUNICIPAL GOLF COURSE

THE ATTACHED IS THE LIST OF THE PERSONS WHO ATTENDED THIS MEETING.

Gus Arzberger
State Representative
1700 W. Washington
Phoenix, AZ 85007

Barbara Silvia
Port Director U.S. Customs
Naco, AZ

Steve Rich
U.S. Customs
Douglas, AZ 85607

Tom Perrine
Director Chamber of Commerce
P.O. Box 1059
Benson, AZ

Colonel Swan
KATN Radio
Sierra Vista, AZ

Bob Scott
Councilmen City Hall
Wilcox, AZ

Gene Brust
Palominas School
Highway 92
Palominas, AZ

Jim Wilson
President of Naco Community Association
615 Wilson Rd.
Naco, Arizona

Glen Waltz
Border Patrol Agent
P.O. Box 695
Naco, Arizona

Stewart A. Dutcher
Supervisor Border Patrol
P.O. Box 695
Naco, Arizona

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President Bisbee Chamber of Commerce
Drawer BA
Bisbee, Arizona

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1700 W. Washington
Phoenix, Arizona 85007

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Vice President/General Manager
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Douglas, Arizona 85607

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Douglas, AZ 85607

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Central De Salud
Naco, Sonora Mexico

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Huachuca City, AZ 85613

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Chamber of Commerce
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Wilcox, AZ 85643

John H. Schissler
Chairman
Huachuca City, AZ

Chris English
Hispanic Employment Program - Manager
Attn: ASH - EEO
Fort Huachuca, AZ

George Allen
EEO Officer
FT. Huachuca, AZ

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Telephone: #21452

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Ensambles Automotrices De Naco
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Debbie Sanders
Director Chamber of Commerce
Co-Chair Tourism Committee
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Sierra Vista, AZ 85635

Bryan Evans
President Chamber of Commerce
77 Calle Portal
Sierra Vista, AZ 85635

Jonnie Belle Bethel
Mayor
P.O. Box 833
Wilcox, AZ 85644

Ramiro Ross
Public Works Director of
Department of Corrections
AZ-Mexico Commission
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Bisbee, AZ 85603

Roy Greenwood
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Profesor Eleubereo Molina
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Terry McGrief
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Enrique Alejandro Martan Bustamante
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Cananea, Sonora Mexico

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Chair, Division of Business
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Douglas, AZ 85607

Eddie Lopez
Chief of Police
Bisbee Police Department
Bisbee, AZ 85603

Detective Frank Martinez
Bisbee Police Department
Bisbee, AZ 85603

LETTER FROM ING. J. ALBERTO ESPINOSA, SUBDIRECTOR ADMINISTRATIVO, MEXICANA DE COBRE. S. A. DE C.V.

Julio 13, 1987

H. AYUNTAMIENTO CONSTITUCIONAL
NACOZARI DE GARCIA, SONORA

At'n: PROFR. GONZALO DURAZO ORTIZ
Presidente Municipal

Hemos tenido información de que existe un planteamiento que contempla la posibilidad de levantar las vias de ferrocarril de la empresa - -- SOUTHER PACIFIC en el trayecto entre las poblaciones de Douglas a - - Benson, Arizona, situación que en nuestro sentir afectaría a los sectores comerciales, ganaderos e industriales y especificamente en Mexicana de Cobre, S.A. de C.V. se vería afectado el movimiento que hacemos a traves de ese ferrocarril de refacciones y equipos que requerimos en la operación de nuestras Plantas de Mina, Concentradora y Fundición. No menos trastorno sería el que no pudiesemos contar a futuro con ese medio de transporte para la exportación de concentrado de cobre y anodos, provenientes de nuestras instalaciones.

También recientemente hemos iniciado exportación para venta de cascarón de mata cobriza secundaria de cobre fundición a E.U.A. con via de embarque a traves del ferrocarril y puerto de salida Agua Prieta, Sonora.

A futuro se verían afectados nuestros renglones de exportación de -- ácido sulfúrico, ya que a partir del mes de Marzo del próximo año se tiene programada la puesta en marcha de nuestra Planta de Acido Sulfurico con una producción anual de 584,000 Ton. y muy posiblemente - requeriremos el uso del ferrocarril para su transporte al exterior.

En razón de lo expuesto anteriormente, unimos nuestro sentir al de -- los demás sectores que requieren del empleo de éste medio de transporte de carga, apoyando por éste conducto las gestiones que ese H. Ayuntamiento realice al respecto.

Atentamente.

ING. J. ALBERTO ESPINOSA
Sub-Director Administrativo.

LETTER FROM EDUARDO QUIJADA PAYAN, EL SECRETARIO DEL AYUNTAMIENTO

Julio 23 de 1987.,

SR. WILLIAM PETITT
BISBEE, ARIZONA

Con respetuosa atencion nos estamos dirigiendo a Usted para manifestarle nuestro apoyo y solidaridad, en las gestiones llevadas a cabo con el propósito de solicitar ante las autoridades competentes, que continúe la operación del Ferrocarril Benson - Douglas. La continuidad de este servicio ayudará en gran medida al desarrollo económico de este Municipio dado el caso de que maquinaría y productos requieren del Ferrocarril para su transportación, abatiendo costos por fletes.

Sin otro partícular nos es grato manifestarle a Usted la seguridad de nuestra atenta consideración y respeto.

ATENTAMENTE
SUFRAGIO EFECTIVO. NO REELECCION
EL PRESIDENTE MUNICIPAL

GONZALO DURAZO ORTIZ

EL SECRETARIO DEL AYUNTAMIENTO

EDUARDO QUIJADA PAYAN

Mr. PETTIT. Thank you very much, Senator. Gentlemen, since last March, Cochise County and our Mexican counterparts in Mexico have formed what we call a border friendship committee.

In June 1987, I hosted a number of elected official business representatives, educators, members of the chamber of commerce, and various leaders of local communities. Each side of the Mexican/American border has a counterpart representing each country.

You have in your packet a list of people attending the meeting, approximately 100. I'd like to approach the drug problem with the economic problem along the border first.

As you know, Southern Pacific is attempting to abandon the Benson/Douglas Railroad spur. This will have a tremendous impact on Cochise County, not only the tax base but future growth and future economic development within Cochise County.

In your packets, gentlemen, you have resolutions from each city in Cochise County and the board of supervisors supporting the maintenance of the Southern Pacific Rail Line in Cochise County; had a meeting on June 19 in Bisbee. Mexican officials and businessmen were not aware that Southern Pacific wanted to abandon the railroad. They did not know nor had they been informed of any such impact. Their position is that the mine in Nacozari will produce 584,000 tons of sulfuric acids annually within the next year. This must be transported.

Bisbee, Douglas, and Tombstone can only be reached by two-lane roads designed in the 1930's, and there have been very few improvements since that time. The city of Sierra Vista, Huachuca City has a short four-lane road which is more than outdated and carries excessive traffic. The transportation of hazardous materials such as sulfuric acid through small communities, where we have no resources to handle any accident, is beyond our capability to cope with.

Also, the mine in Cananea has opened up a huge body of aluminum ore which its smelter cannot refine. Their plans were contingent upon shipping this ore from Cananea, Sonora, Mexico, to Cananea for processing. Also the mine in Nacozari has plans to ship an ore that they cannot process to Plyas, NM. They feel that it will devastate the economy of northern Sonora.

The maquiladoras program is vital to the survival of the private retail sales in southern Arizona. A large percentage of the payroll dollars generated in northern Sonora ultimately are spent in southern Arizona purchasing clothing, groceries, medications, and necessary household items that are not available in Mexico.

The maquiladoras program also provides a percentage of employment to residents on the United States side of the border directly related to the plants in Mexico. Those of us in Cochise County feel that the maquiladoras program, together with the railroad, are necessary for the future growth and economic survival along the Arizona/Mexico border.

We also believe that in the event that these plants do not operate in northern Mexico and throughout Mexico, these jobs and money will ultimately wind up in the Third World nations and the plants still would not operate in the United States.

The trade between the two countries is an absolute necessity to have daily commercial trade between Mexico and Arizona. Northern Mexico relies very heavily on retail stores in southern Arizona for many of their goods and at a great deal of the medical products available only in the United States.

Northern Sonora does not have medical facilities comparable to those in southern Arizona. A large percentage of medical treatment provided to those in northern Sonora is provided in local hospitals throughout southern Arizona. Specialists, such as are available in Sierra Vista and Tucson, are the nearest available for residents in northern Mexico. It is imperative that we be able to provide these services to the Mexican citizens on a 24-hour basis by expediting their crossing into the United States; and example, the Naco port of entry.

An extremely interesting item came out of the group of educators that the schools have created. In Cochise County and other areas of Arizona, programs where students from the United States spend 1 week in Mexico, and Mexican students spend 1 week here. One of the most encouraging statements that came across very loud and clear was the protest of the educators from Mexico to obtain substance abuse booklets and information for use in their schools.

Our U.S. Government Printing Office presents a number of them in Spanish. These are not available to us without purchasing it. I think this is an area that indicates that a great number of people in Mexico are antidrub and will seek cooperation of the law enforcement officials.

In your package, you have a position paper printed by the educators who were present at the meeting. There is also a position paper presented by the chamber of commerce and the counterparts in Mexico.

International service organizations such as Kiwanis, Rotary Club, and Lions Club have their counterparts in Mexico that visit in the United States and those in the United States that visit in Mexico. The service organizations feel that through better acquaintance with each other, the border situation can be improved through the efforts of those service organizations.

Members of the law enforcement community met along with law enforcement officers from Mexico. The meeting was very beneficial, in my opinion. And I feel that I can speak with some degree of authority being a retired police lieutenant and former chief investigator for the Cochise County attorney's office. I have worked the roads on the Mexican border so I am not a stranger to it. I have followed the drug trade for approximately 3 years now. Through education and rehabilitation, and there are many programs presented today that have a proven track record in rehabilitation that make them worth the money expended.

This is extremely a summation of some of the problems on the border. But one of the basic problems that we bear in Cochise County is lack of funds. We do not have the money to get substance abuse booklets printed. We solicit through private donations servicing clubs and all of this. We attempt to handle our problems as best we can locally.

Now, I have followed the progress throughout nearly 30 years along the Mexican border. I was working drugs on the border when you were district attorney, Senator.

I must commend law enforcement for the accomplishments it has made. We have an uncomprehensible situation to those that aren't familiar with our Mexican border. We have 2,000 miles of international border, a great deal of the terrain is only accessible by horseback, four-wheel drive vehicle or by foot. But through cooperation with Mexico, I believe by improving the economic condition of Mexico, through the maquiladoras program and our encouragement and cooperation with them and assistance in training their law enforcement officers, I think in time it will not be a quick-fix but in time we will make inroads against the drug trail along the American/Mexican border. Thank you.

Senator DeConcini. Mayor Pettit, thank you for your testimony and I wholeheartedly understand the problem you encountered regarding the law of that railroad. And most regrettably I was just refreshing Senator Domenici's recollection because it helped us get a permit for the smelter in Douglas through 1988, as you may recall, which would have justified perhaps some reason to keep that going. Unfortunately, that got washed away, which I still opposed. The deal wasn't whether it was healthy for everybody; I can't dispute that it was, but we had agreed at that time that we were going to continue until 1988 and then it would shut down. Of course, as you know, it shut down early. That has placed a tremendous loss, I think, on Cochise County. What happens? I don't know what we can do to help facilitate that, but we welcome any suggestions.

I will take your suggestion at heart regarding the Government Printing Office trying to get some surplus of the drug material, that is printed in Spanish, for the city. Maybe you have at least a comment or suggestion on how you think it should be distributed, if indeed we could get some of that at no cost to the city. Do you have any suggestions as to who should handle it in Mexico or how to make it available?

Mr. Pettit. Yes, Senator; I have some very positive thoughts and feelings on it. We meet on a quarterly basis on September 4, Labor Day, the city of Cananea is hosting a meeting similar to the one that was held in Bisbee on June 16. It would be a great benefit to have material available at that time. It would be very encouraging to them.

I would also appreciate very much if U.S. Customs would have a representative from our region area to attend the function in September. They were present on June 16; many problems were resolved at the Naco board in a matter of hours, and a follow-up meeting was held on the following Thursday, which has expedited crossings there. I think an awful lot of this can be handled on a local level much better.

Senator DeConcini. Including distribution of materials?

Mr. Pettit. That's right.

Senator DeConcini. I want the record to show that too, and I'm sure the Commissioner will agree. We thank the Commissioners in Customs for responding to my request and your subsequent request to open the

Naco border station for 24 hours. I understand that's about to take place, or will shortly. Thank you, mayor, very much.

Do you have any questions, Senator Domenici?

Senator DOMENICI. I have no questions. Thank you very much, Mayor Pettit.

STATEMENTS OF:

ERNESTO A. CHAVEZ, PRESIDENT, NOGALES-SANTA CRUZ COUNTY CHAMBER OF COMMERCE

GEORGE H. URIBE, EXECUTIVE VICE PRESIDENT, WEST MEXICO VEGETABLE DISTRIBUTORS ASSOCIATION

WILLIAM F. JOFFROY, JR., PRESIDENT, WILLIAM F. JOFFROY CUSTOMHOUSE BROKERS, INC.

KEN LILLEY, VICE PRESIDENT, ASSOCIACION DE MAQUILADORAS DE SONORA, REPRESENTING ROSCOE COMBS

Senator DECONCINI. We'll now proceed to a number of witnesses, and I'll just ask them to come up one at a time and give their statements and then I do have a question for them as a panel.

We will now hear from Ernesto Chavez, president of Nogales Chamber of Commerce; George Uribe, Nogales president, West Mexico Distributors; William Joffroy, Jr., Nogales president and William Joffroy, Inc., of William Joffroy, Inc; and Roscoe Combs, Nogales president in Maquiladora Associacion of Sonora. Is Mr. Chavez here?

Mr. CHAVEZ. Yes, sir.

PREPARED STATEMENT

Senator DECONCINI. Mr. Chavez, will you please come forward. Your statement will be put in the record. If you will please summarize your remarks, we will be able to hear from everyone.

Mr. CHAVEZ. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF ERNESTO A. CHAVEZ

My name is Ernesto A. Chavez, president of the Nogales-Santa Cruz County Chamber of Commerce, here in Arizona. I speak on behalf of the local chamber of commerce and other neighboring chambers which deal with similar situations and have similar concerns.

My comments are intended to help a difficult situation as it relates to us personally and commercially. We are an international community here: we depend on each other.

Our primary goal is as free and unrestrained a course of legal commerce as is possible here at the border. We understand that the U.S. Customs Service has to do its job; doing that job, however, need not be as restraining on legal commerce as it has been in the past.

We need communication between Customs and the chamber of commerce, Border Industrial Development, Inc., the Maquiladores Associacion, West Mexico Vegetable Distributors Association, and other similar groups which constantly deal with the flow of legal commerce between Mexico and the United States. Some communication was begun when Audrey Adams was Acting District Director for Customs here. Also, Dennis Hazelton and Ralph Guerra communicated with us. Besides those persons, we have had little or no communication with Customs officials. We invite the new district director of Customs to address the chamber of commerce and we hope that he will be available to us in the future. Frankly, it is our perception that when a person begins to communicate with the various groups who have concerns, that person is reassigned or leaves.

We need to know if phase one of the improvements on your facilities has been funded. When will it begin? What does it entail? How will those of us who have businesses near the border be affected? Can our produce industry expect to have faster crossing of the border as a result? Will buildings be changed and moved? Will local contractors be involved?

We understand your need to curtail the flow of illegal commerce. However, the ways it is done often leave us wondering. If more checks are necessary, more officers may need to be added, subject to budget constraints, and perhaps rescheduling of shifts is called for. It is not productive to have full crackdowns for days on end. The persons you wish to intercept know within 30 minutes what is happening and you accomplish little. Why not have intermittent checks for several days? The effect of the full crackdown for extended periods simply results in the little person being greatly inconvenienced and our businesses and personal lives greatly disrupted. You should realize that when the national problems between Mexico and the United States are dealt with in this way, we are hurt and nobody is helped.

Simple little changes such as asking the officers to take their breaks and lunch hours out of sight would help us when we have waited for long periods to cross the border just to see several officers just lounging around and chatting when we finally get to the line. Or, just asking officers not to insinuate that the persons is carrying drugs just because he is crossing the border in a nice car would be appreciated. Or, having an officer actually help a person at the desk instead of saying, "Here, read this pamphlet," would be a change. Properly trained officers to facilitate the import of merchandise from countries other than Mexico would be helpful. Yes; there are some officers to whom these comments do not apply, but there are too many to whom they do.

Many citizens of the United States only deal with U.S. Customs Service once or twice in a lifetime. We deal with them almost every day on almost every level. We need a strong, effective working relationship.

Our local governments are burdened very heavily by the costs incurred from the flow of drugs across our border here. When problems of the type I have discussed occur, our local economy suffers and part of the effect is that our tax revenues, already sorely strained, are further depleted. It is a constant cycle.

We challenge Customs Commissioner William von Raab to change into casual clothes and cross the line a few times. We believe it will be a revealing experience.

We are ready to do our part. We appreciate your invitation to address this group. We look forward to beginning a dialog with the U.S. Customs Service, which is a very important part of our lives.

Thank you.

Senator DECONCINI. If you don't mind, the four of you can sit here in the front so we can ask some questions after we hear from all of your statements.

Mr. CHAVEZ. Thank you, Mr. Chairman, Senator Dennis DeConcini, Senator Domenici, Customs Commissioner William von Raab, Jim Piatt for the Southwest Regional Commissioner, U.S. Customs Service and Deputy Assistant U.S. Trade Representative for Mexico B. Timonthy Bennett.

My name is Ernesto Chavez, president of the Nogales Chamber of Commerce here in Arizona. I speak on behalf of the local chamber of commerce and other neighboring chambers which deal with similar occasions and have similar concerns.

My comments are intended to help a difficult situation as it relates to us personally and commercially. We are an international community here; we depend on each other. Our primary goal is as free and as restrained, of course, of legal concern as is possible here at the border.

Of course we understand that the U.S. Customs Service has to do its job. Doing that job, however, need not be as restraining or legal commerce as it has been in the past. We need communications. Perhaps the biggest word, in my estimate, between Customs and the Chamber of Commerce Bordering Industrial, Inc., the Maquiladoras Associacion plus Mexican Vegetables Distributor Association and other similar groups which constantly deal with a flow of legal commerce between Mexico and the United States. Some communication was gone when Audrey Adams was Acting Director for Customs here.

We have had little or no communication with Customs officials. We invite the new district director to address the chamber of commerce and we hope that he will be available to us in the future. It is our perception that when a person begins to communicate with various groups who are concerned, that person is reassigned or leaves. We need to know if phase one of the improvements of your facilities has been funded? When will it begin? What does it entail? How will those of us who have businesses near the border be affected? Can our produce industry expect to have faster crossings at the border as a result? Will building changes with local contractors be involved.

We understand your need to curtail the flow of illegal commerce; however, the way it is done often leaves us wondering. If more checks are necessary, more officers may need to be added subject to budget constraints, and perhaps rescheduling of shifts is called for. It is not productive to have full crackdowns for days on end. The persons you wish to intercept know within 30 minutes what's happening and you accomplish little. Why not have intermittent checks for several days. The effect of the full crackdown for extended period simply results in the little person being greatly inconvenienced and their business and person's lives greatly disrupted.

You should realize that when the national problems between Mexico and the United States are dealt with in this way, we are hurt and nobody is helped. Simple little changes such as asking the officer to take their breaks at lunch periods out of sight would help us, when we have waited for a long period to cross the border just to see several officers just lounging around when we finally get to the line. Or just asking officers not to insinuate that the person is curious just because he's crossing the border in a nice car would be appreciated. Or having an officer actually help a person at the desk instead of saying, "Here, read this pamphlet," would be a change. Properly trained officers to facilitate the import of goods from countries other than Mexico would be helpful. Yes; there are some officers to whom these comments do not apply. There are too many to whom they do. Many citizens of the United States only deal with the U.S. Customs Service once or twice in a life time. We deal with them almost every day at almost every level. What we need is a strong, effective working relationship.

Our local governments are burdened very heavily by the cost incurred from the flow of drugs across our border here. When problems of the type I have discussed occur, our local economy suffers and part of the fact is that our tax revenues already sorely strained are further depleted. It is a constant cycle.

We invite Commissioner William von Raab to change into casual clothes and cross the line a few times. He will live a revealing experience. We are ready to do our part. We appreciate your invitation to address this group. We look forward to beginning a dialog with the Customs Service which is a very important part of our lives.

Senator DECONCINI. Mr. Chavez, let me thank you and the chamber for being very candid. That's the purpose of these hearings, and I thank the Commissioner for staying to listen to these remarks. So often people have busy schedules and cannot make the commitment to stay. I thank you for your candidness and if you can stay, we may have some additional questions. We'll continue with the rest of the panel. Mr. Uribe?

PREPARED STATEMENT

Mr. URIBE. Thank you, sir. Thank you, Mr. Chairman, Senator Domenici, Commissioner von Raab. As you have requested, Senator, I have submitted for the record my entire written statement. And I'll try to be very brief and highlight some of the comments therein that I think are more important.

[The statement follows:]

STATEMENT OF GEORGE H. URIBE

My name is George H. Uribe, executive vice president, West Mexico Vegetable Distributors Association, Nogales, AZ. The association represents 65 distributors who are engaged in the importation of winter vegetables from Mexico. We import approximately 1.2 billion pounds of produce during the period of November through June. This has an estimated value of $250 million, which is transported into the United States in approximately 40,000 to 50,000 carlot equivalents. Our industry generates approximately $40 million revenue to the U.S. Government via the duties and tariffs which are collected by the U.S. Customs Service.

I most certainly appreciate the opportunity to testify before the subcommittee, and express some of the concerns of the industry that I represent and I applaud your efforts in attempting to identify some of the problems which exist regarding drug safety and U.S. Customs operations at the border communities. It is most commendable that you would take the time to come to the border communities, and talk with the people who are directly involved in transborder movement of goods in our case produce.

I believe that it is most unfortunate that more often than not everytime that a new regulation is adopted by U.S. Customs, it directly affects those of us who are engaged in an import operation but also the average citizen who lives in a border community.

I quite frankly believe that anyone who is interested or engaged in illegal traffic of any kind, whether it be drugs or otherwise is not going to come through the U.S. Custom facilities or "Garitas" as they are commonly referred to, knowing full well that he or she is going to be subject to inspection, when he or she knows that there are hundreds of miles along the United States/Mexico border where there is virtually no control or surveillance. What I am saying is that the emphasis to control illegal traffic must be in the areas away from the border community.

I think that it is a matter of record that the bulk of the illegal traffic which is apprehended is as a result of tips by informants, and not random checking at the border facilities. Yet, we the citizens of the border communities are subject to excessive delays when crossing the United States/Mexico border in our everyday life. Time and time again I have seen U.S. Customs officers conducting secondary inspections or functions at the primary inspection point when there are any number of officers sitting around at the secondary inspection point doing nothing at all It seems to me that if the officer at the primary inspection suspects that there is contraband or drugs he should immediately send that auto or truck to secondary inspection without holding the bulk or balance of the traffic. I think that it is ridiculous to see an officer using a mirror to look under every car or using a hammer to strike the tires, or conduct a thorough inspection of the interior of a vehicle, all of which are secondary inspection functions. Ninety percent of the traffic which comes across the United States/Mexico border on a daily basis is local traffic, law-abiding citizens of this community who are being subject to undo delays.

I understand that there is a master plan which is being developed for the city of Nogales, which is going to allow for (we hope) better control and flow of traffic. This is fine and dandy so long as you more than just encourage the officers at the primary inspection point to use the secondary inspection area for what it was intended to be used for.

I understand that a part of the long-range master plan includes the providing of additional lanes at the port of entry known as the west gate, with the volume of traffic which is coming through on a daily basis as high as 600 trucks in a single day, it is imperative that additional access lanes be provided to facilitate the flow of traffic which in turn will provide for better control.

Let me talk a little bit about the industry which I represent. The West Mexicc Vegetable Distributors Association. Nogales is the major inland port of entry for Mexican winter vegetables. I would dare say a very important economic contributor not only to this community, but to the United States as well, via the approximately $40 million in duties, which are collected by U.S. Customs here at the Port of Nogales during a 6-month period.

Let me emphatically state that we are very proud of the relationship which exists between U.S. Customs and our distributors. Produce has been coming through the Port of Nogales since the late twenties and early thirties and I would say that our record of incidents involving illegal drugs or contraband has to be considered admirable when you consider the 40,000 to 50,000 trucks crossing the border each year. Our people are very cautious about any problems in the area of illegal drugs or contraband, in that once a distributor has a problem (which he might have been totally innocent of), his is a miserable life subject to constant 100 percent full unloading inspections. When you are dealing with a perishable commodity, undo delays are critical.

The only problem we have is that U.S. Customs is planning to take over a portion of GSA property adjacent to the west gate which is presently being utilized by our industry and the Arizona Department of Transportation for the purpose of or which allows our distributors to take off the overload, or adjust the axle weight distribution.

It is our understanding that they want to use part of the property to build a kennel for the sniffing dogs, and to build an offload inspection shed or building to accommodate the complete off-loading of *x* percentage of commercial vehicles. My point is, this area is critical to our industry which is revenue producing and is to be used for minor incidental purposes at the expense of a revenue function. I think someone ought to look at priority of things.

Recently, I have been involved on several meetings, where U.S. Customs has presented the proposed new line release system. This is a commendable effort on the part of U.S. Customs to expedite the flow of merchandise. We have been advised that for the present straight loads of tomatoes, cucumbers, eggplant, are to be included as part of the new system. I guess that only time or experience will tell how well line release will work as far as the produce industry is concerned.

To conclude I would again like to emphasize the excellent working relation which exists between U.S. Customs and our industry. On several occasions we have held meetings to discuss problems affecting our industry and have managed to come up with workable solutions. We have gone so far as to include Mexican customs officials. I have nothing but praise for Messrs. Guerra and Ashcraft, who are a credit to the U.S. Customs Service. I believe that Nogales can very well be used as a model for other border communities in establishing a good relationship with, in this case, U.S. Customs.

Finally, we realize the importance of U.S. Customs' problem and can well appreciate the fact that they are protecting our borders from illegal drugs and contraband—my only point is that it's not at the border inspection stations that you are going to stop the contraband which ultimately is at the expense of our local law-abiding citizens.

STATEMENT OF GEORGE URIBE

Mr. URIBE. I would be remiss if I did not request for the record, under the list of witnesses, my name is George Uribe. I am the executive vice president, not the president. And the name of the association is the West Mexico Vegetable Distributors Association. I did not comment on that; I might be fired.

Senator DECONCINI. That would be a big mistake for the West Mexico Vegetable Distributors Association, can assume the audience of that.

Mr. URIBE. Thank You. I thank you for the opportunity to discuss testify before the subcommittee and to the effective increased drug safety by the U.S. Customs without, and I compliment you on that, without impeding commercial traffic, I applaud your efforts in attempting to identify some of the problems which exist here at the border communities regarding drug enforcement in our every day lives here as a resident of the border community.

It is most commendable that you would take the time to come to the border communities and talk to the people who are directly involved in transport or movement of goods more often than not. Quite frankly, in my opinion, the decisions are made in Washington DC, or Mexico City from people, with people who have absolutely, that have never been to the border communities and know nothing with the border surplus.

I believe that it is most unfortunate that more often than not, every time a new regulation is adopted by U.S. Customs, it directly affects those of us who are engaged in an important operation but also the average American citizen of this border community. Quite frankly, I believe that anyone who is interested or engaged in illegal traffic of any kind, whether it be drugs or otherwise is not going to come through the U.S. Customs facilities known to us as garitas, as they are commonly referred to knowing full well that he or she is going to be subjected to inspection, but he knows that there are hundreds of miles along the United States/Mexican border where there is virtually no control or surveillance. What I am saying is that emphasis of control of illegal traffic should be put in the areas away from the border communities.

I think that it is a matter of record that the bulk of the illegal traffic which is apprehended is a result of tips by informants and not random checking at the border facilities. Yes; we are the citizens of the inspection doing nothing at all. It seems to me that if the officer at the primary inspection station suspects that there is contraband or drugs, he should immediately send that auto or truck to the secondary inspection without holding the bulk or the balance of the traffic. I think that is ridiculous to see an officer using a mirror to look under every car and using a hammer to strike the tires or to conduct a thorough inspection of the interior of the vehicle which are all secondary inspection functions. Ninety percent of the traffic, I would dare say, probably is local United States Mexican/American residents of this community and yet we are always subjected to undue delays.

I understand that there is a master plan which is being developed with the city of Nogales which is going to allow for, we hope, better control and flow of traffic. This is fine and dandy so long as you more than just encourage the officers at the primary inspection point to use the secondary inspection station for what it is intended to be used for. Under that master plan, it provides for additional lanes at the port of entry going on at our west gate with the volume of traffic that is coming through on a daily basis which is as high as 600 trucks on a single day. It is imperative that additional lanes be provided to facilitate the flow of traffic which in turn will provide for better control.

Let me emphatically state that we are very proud of the relationship which exists between U.S. Customs and our distributors. Produce has been coming through the Port of Nogales since the late twenties and early thirties. And I would say that our record of incidents involving illegal drugs or contraband has to be considered admirable when you consider the 40,000 to 50,000 which proceed through the border on an annual basis which is during the winter season. It is possible, of course, that some distributor may have had a problem which he may have been totally innocent of. From there on out he is subject to a miserable life with constant 100 percent full inspection this is imperative when you are dealing with a perishable commodity.

The only people we have on U.S. Customs that are planning to take over a portion of the land, GSA which is presently being utilized by our industry and the Arizona Department of Transportation for the purpose of which allows distributors to take off the overload to adjust the distribution. I understand that they want to use that as property to build a kennel for dogs or to build an overload inspection shed or build it to accommodate offloading of commercial vehicles. My point is that this area is critical to our industry which is revenue producing and is to be used for minor incidental purposes at the expense of a revenue-producing function. I think we all need to take a look at the priority of things.

Recently I have been involved in several meetings where U.S. Customs has presented at the proposed new line release system, ASC, as it refers to commendable efforts on the part of the U.S. Customs to expedite the flow of merchandise. I have been advised what, for the present state, froze are tomatoes and cucumbers and are to be excluded as part of the system. I guess that only time and experience will tell whether or not the line release will work as far as the produce industry is concerned.

Inclusive, I want to again emphasize the excellent working relationship, which includes between Customs and our industries. On several occasions we have held meetings to discuss problems affecting our industry and have managed to come up with remarkable licenses. We have gone so far as to include the Mexican officials, and I have nothing but praise for district director and everyone on their efforts of the community with our local residents.

Finally, I realize the importance of U.S. Customs' problems and can well appreciate their efforts in protecting our borders from illegal drugs and/or contraband. My only point is that it is not the border inspection station where they are going to quote "control" or ultimately stop the flow of illegal drugs at the expense of our local citizens.

PREPARED STATEMENT

Senator DECONCINI. Thank you, Mr. Uribe, for your statement. Mr. Joffroy, we have a number of witnesses so if you can summarize your statement, we'll put the full statement in the record. I do have a couple of questions I'd like to ask all of you.

[The statement follows:]

STATEMENT OF WILLIAM F. JOFFROY, JR.

I would like to begin my testimony by thanking you and your staff for requesting that I testify in these hearings.

Historically, the relationship between . Customs and the importing community at the port of Nogales, Arizona has been excellent. Whenever new programs are implemented at this port, U.S. Customs and the importing community work out the adjustments that must be made in order for any new program to be successful. The communication has always been open and when any new programs may have adverse effects on cargo facilitation, U.S. Customs has always been willing to listen to other proposals without compromising their goals and objectives.

Over the last few years, U.S. Customs and other federal and state agencies have made and continue to make a concerted effort to stop the illegal flow of drugs into the United States. The importing community is wholeheartedly in favor of drug interdiction and supports U.S. Customs in its efforts. Nevertheless, we are concerned that due to the large focus on drug interdiction that cargo facilitation may be, in part, the innocent victim of drug interdiction programs. We are very interested in working together with U.S. Customs to help the agency reach its objectives and at the same time continue to provide the importing community with the best cargo facilitation service that is available.

U.S. Customs has entered the world of automation and overall the new automated systems have been very beneficial.

The Automated Cargo System known as ACS includes a variety of programs which enable the importing community to communicate directly with U.S. Customs in Franconia, Virginia. For example, Automated Broker Interface, known as ABI, enables the customs broker to be linked by a modem from his office directly to U.S. Customs' computer in Franconia, Virginia. Through Automated Broker Interface, the broker transmits the pertinent entry information that Customs needs to complete an import transaction. There are several reports that are available to the customs broker through ABI such as quota query, importer bond information, liquidation status, and administrative messages.

Another program available through ACS is Selectivity. Presently, Selectivity is only available to customs brokers operating at seaports. Through Selectivity, the customs broker may transmit entry data to the U.S. Customs computer in Franconia, Virginia in a batch method prior to the arrival of the merchandise in the United States. U.S. Customs, after reviewing the information, may allow a conditional release of the cargo even though it has not officialy entered the commerce of the United States While this system is very beneficial to seaport brokers, in its present form, it is not available to Southern border customs brokers. As a Southern border customs broker I feel that in order to receive the optimum benefit of being in ABI, that U.S. Customs must consider providing on-line Selectivity to brokers along the Southern border. I realize that the area of Conditional Release would not be available to the Southern border broker, but that is not a significant aspect of the overall benefit If the Southern border customs broker were able to communicate on line, that is not limited to the batch method, we would be able to transmit entr information to U.S. Customs prior to the entry of the merchandise into the United States. This would enable U.S. Customs to make pre-entry determinations so that when the merchandise does arrive at the port of entry, U.S. Customs will have already decided what type of an examination is to be performed. By providing on line availability to ACS Selectivity, merchandise will flow smoother and more efficiently through the inspection process. In its present form, Selectivity is not used until the documents are actually presented to U.S. Customs at the port of entry when the cargo has arrived. This type of system only delays cargo facilitation more than it was prior to the implementation of ACS Selectivity. Our firm, an ABI broker, feels very confident that through a pilot program at the port of Nogales, Arizona, we would be able to work with U.S. Customs in assuring the successful implementation of on line selectivity along the Southern border. We would appreciate your efforts in disucssing this item with U.S. Customs and pursuing it to determine its true benefits.

U.S. Customs has implemented the Line-Release system along the Southern border at several designated ports. Basically, Line-Release is available to high-volume, low-risk commodities being imported into the United States. Through the use of a bar-code label, U.S. Customs is able to determine whether or not an inspection should be made of the imported cargo at the time it arrives at the port of entry. If U.S. Customs determines that the cargo does not have to go to secondary inspection, the release of the merchandise may be made at the port of entry. This type of system has a lot of merit but is is limited in its design. For example, the commodities that are presently eleigible for the Line-Release program would be one line entry commodities, that is one commodity on one truck per entry. We feel that if U.S. Customs broadened its use of Line-Release to include other commodities on the same truck without risking the revenue of the United States or U.S. Customs, enforcement measures that Line-Release would be far more beneficial to cargo facilitation. For example, we understand that U.S. Customs is working closely with the Food and Drug Administration to allow certain agricultural commodities to attain eligibility to Line-Release. We would like to see this kind of development take place with those commodities that are being assembled in Mexico under the Twin-Plant program. We congratulate U.S. Customs in its efforts to improve cargo facilitation through programs such as Line-Release and we would like to continue this kind of rapport in order to achieve our highest goals.

I would like to suggest to U.S. Customs Headquarters that when new changes are being planned, to consult with the customs brokers to discuss what the impact may have on cargo facilitation.

For example, if U.S. Customs would permit the consolidation of Customs Form 3461ALT and the Line-Release C-4 Bar Code Label into one form, a substantial reduction in paperwork would be accomplished. The fact that we have daily itneraction with U.S. Customs allows us first-hand experience in determining methods to streamline cargo facilitation without risk to U.S. Customs. Presently, two .forms are being used creating more paperwork.

Because Nogales has a very good cargo facility it is my opinion that a Centralized Examination Station outside of the U.S. Customs compund is not necessary. There is sufficient space at the U.S. Customs compound to perform intensified examinations of cargo. A separate Centralized Examination Station would add a tremendous cost burden to the importer over and above U.S. Customs duties and Merchandise Processing Fees.

Presently, the port of Nogales, Arizona in the area called Nogales West has one lane for commercial cargo.

The present configuration for commercial cargo traffic is immensley inadequate. Taking into consideration the present traffic through the port of Nogales, up to 750 trucks during the produce season, and the future growth which we are anticipating a minimum of 4 commercial cargo lanes are necessary to facilitate the smooth flow of commercial traffic. While 4 traffic lanes may sound more than we need today, five years from now if we have 4 lanes we may need more. With additional lanes, the traffic that is presently backed up in Nogales, Sonora, Mexico would be able to enter the United States at a much more rapid pace and relieve the bottle-neck that is created during the produce season.

U.S. Customs in Nogales, Arizona is in need of four people in the clerical area, four exit guards that would be at the port of entry as merchandise leaves the United States from Mexico, and ten more inspectors.

The attention that you give to these matters is greatly appreciated and should you need any further explanation please contact me.

STATEMENT OF WILLIAM JOFFROY

Mr. Joffroy. I'll keep my statement to 5 minutes.

Senator DeConcini. Thank you, sir.

Mr. Joffroy. Senator DeConcini, thank you very much for the opportunity to testify before you today. I'd also like to thank Senator Domenici, Commissioner von Raab, Southwest Regional Commissioner Jim Piatt and Deputy Assistant U.S. Trade Representative B. Timothy Bennett for their interest on the issue of drug interdiction and cargo facilitation.

Our family has been in the customs brokerage business both in Mexico and the United States since 1903. So our feelings are very sensitive toward relationships with U.S. Customs.

Historically, U.S. Customs and the importing countries have maintained an excellent relationship with open communications and has always sought out to work the best solutions, provide cargo facilitations without compromising U.S. Customs enforcement goals and objectives.

The importing community supports U.S. Customs in its drug interdiction efforts. However, cargo facilitation must not become a victim of drug interdiction programs. U.S. Customs and the import community must work together to find the best solutions to provide effective interdiction as well as border facilitation.

I congratulate the U.S. Customs Service, particularly Mr. von Raab for the automated cargo system. However, in view of their infinite wisdom when these programs were designed the southern border is somehow left out. Particularly, the area of selectivity is of concern to us on selectivity through the automated broker of international program of which our companies participated.

On line selectivity must be available on line to the southern border participating in the ABI Program. Line selectivity would allow selection of transmission by the broker to U.S. Customs of importer and invoice data prior to the arrival of the cargo at the port of entry. This would relieve U.S. Customs of the tactic of inputting data which would help expedite cargo release and the ultimate benefit is that enforcement would in no way be jeopordized.

Our company has been trained for selectivity, even though it is not yet available and is prepared for its immediate implication. I strongly recommend that U.S. Customs consider and implement a pilot program for on line selectivity at the Port of Nogales, AZ. The expansion of the line release system is also necessary to allow agriculture products as well as a larger variety of articles entered into the twin plants or maquiladoras.

We are very fortunate in Nogales to have an excellent U.S. Customs compound and, therefore, the Examination Station Program is really not relevant to our areas. However, expansion of the commercial cargo lanes is a necessity. Presently we have one cargo lane to provide access entry into the United States for over 700 trucks per day during the peak produce season. I would recommend at least four more lanes be designed and built. The growth of trade between the United States and Mexico continues to grow; it does not seem to diminish in the near future. And 5 years from now, four lanes may not be enough.

The area of U.S. Customs personnel is always a subject of interest, specifically, we need 10 more U.S. Customs inspectors, at least 5 more import specialists, four extra lanes, and 4 clerks to participate in the Automated Cargo Systems Program. U.S. Customs should consider the consolidation of Customs forms such as the Custom form 3461 alternate and line release. In fact, the U.S. Customs should consider that inward manifest be the form used a lot, the United States/Mexican border, without compromising automation communication.

The issues I have addressed have practical solutions that not only benefit U.S. Customs but also help support enforcement measures. U.S. Customs interdiction programs are very important, but commercial cargo facilitation is just as important to our trade community.

Thank you very much for your attention and action that you give to these issues.

Senator DECONCINI. Thank you, Mr. Joffroy. Please have a seat up front. We may have additional questions.

STATEMENT OF KEN LILLEY

Mr. LILLEY. I am Mr. Lilley. Mr. Roscoe is indisposed so I'm representing the president.

Senator DECONCINI. Mr. Lilley is the vice president of the association.

Mr. LILLEY. We are an Asociacion de Maquiladoras de Sonora or the twin plants manufacturing association on this side. On behalf of our association, I'd like to thank everyone here for coming and, as always, Dennis for coming today.

As you know, so many things change. A couple of years ago, we had the immigration people down here, 11 months back concerning visas; that has seemed to disappear. We hope to have the same results here.

Our industry wholeheartedly supports the efforts of the U.S. Customs Service in attempting to stop the flow of illegal drugs into our country.

Historically, the relationship has been outstanding in Nogales. Some of the recent activity sure makes us stop and think; stopping all the cars and opening trunks and hoods of all vehicles did nothing but cause the U.S. Customs Service to incur the wrath of the community and impede the flow of commerce. In my life as a businessman I have to show a return on investment. I start expending resources, I have to show that something comes from it, if not, pretty soon I'm in deep trouble and that applies also to Customs.

On the automated cargo system, we think it's a great idea. We support it 100 percent and, by the way, Mr. Joffroy is on our committee of our association for U.S. Customs.

The present situation at the commercial gate on Mariposa Road is grossly inadequate. In peak periods we approach 700, 800 trucks per day in about 11 hours. Do your math, nobody can cross that many trucks in one lane, it's impossible. We agree, we need four lanes right now and what I heard here today is the growth of the maquila is now only growing but the other industries. There's no way that one lane is going to be working, more just has to come about.

During the peak season, which is the produce season here; somewhere along the line Customs hasn't provided the resources or the methods to move workers or to hire part timers to do something to handle the peak demands. We expect other services such as the Post Office, the Internal Revenue Service, and the utility companies to meet peak demands. We expect our lights to come on when all the air-conditioners are running. We expect U.S. Customs Service be provided with the tools to do that. Open communications, I think, is one of the greatest things that has to happen.

Recently we started having meetings between U.S. Customs and the maquilas industry, produce industry, and the business community. These have come to a stop. We wholeheartedly recommend that the new district director continue and expand this new idea. We thought it was outstanding.

The image of U.S. Customs in Nogales appears to be tarnished in our community. To spend 45 minutes in line to enter the United States and watch an inspector disassemble a car in front of you when there are four, five, or six people sitting behind you in the inspection, over in the secondary talking, reading, and so forth. That kind of burns me as a businessman. In my plant I don't have anybody sitting around talking. And I go to Safeway and I watch the clerks there doing their job. They typically work 2 hours, take a 15-minute break and come back to work. I don't understand how U.S. Customs operates. And, I think, maybe if we understood that, it sure might reduce some of the tensions. The general feeling is that those inspectors work about 30 percent of the time, and they give the appearance of goofing off the other. And not understanding what's going on, we obviously look at the goofing off.

The recent meetings we mentioned earlier between Mexican customs and United States Customs and the maquilas industry and all the other importers, I think, absolutely has to be restarted. The director you have on the Mexican side is just a super guy and we really think that he wants to help us. We know that intent of U.S. Customs is good, but as anyone can see, we sometimes question the method.

And one of the things, I think, that we need to remember is this is an international community. Anything that happens affects both sides and the word "Ambos Nogales" is more than just words, it's a way of life in Nogales.

Again, I'd like to thank everyone for coming to our very special community. Thank you.

PREPARED STATEMENT

Senator DECONCINI. Thank you very much.
[The statement follows:]

STATEMENT OF KEN LILLEY

On behalf of the Asociacion de Maquiladoras de Sonora, S.A. de C.V. we thank you and your staff for your interest in our border community and allowing us to participate in these hearings.

Our industry wholeheartedly supports the efforts of the U.S. Customs Service in attempting to stop the flow of illegal drugs into our country.

Historically the relationship between the local U.S. Customs and the importing community in Nogales has been open and honest with outstanding cooperation but the results of the last couple of years makes us question some of Customs tactics. We feel the maquilas industry in Nogales has an excellent record regarding drugs and we intend to maintain this record. Stopping all cars and opening trunks and hoods of all vehicles did nothing but cause the U.S. Customs Service to incur the wrath of the community and impede the flow of commerce.

We would like to zero in on these following points:

The automated cargo system [ACS] which will allow on line selectivity from the broker to U.S. Customs will enhance the movement of international commerce and reduce the workload at U.S. Customs with absolutely no jeopardy to drug enforcement.

The present situation at the commercial gate on Mariposa Road is grossly inadequate. In peak periods we approach 800 trucks per day in about 11 hours. This situation can only be resolved by the addition of four truck lanes. The future growth of the maquila industry alone, which we all know is happening now, will necessitate additional lanes.

During produce season which is our peak crossing period there is not enough people power to handle the workload. The Customs Service should be given the resources to allow expansion, part timers, shift workers from other ports, or whatever as is done in private enterprise. We expect other services such as the Post Office, IRS, and utility companies to meet peak demands. To expect the same from the U.S. Customs Service should not be interpreted as an unreasonable request. This additional people power includes clerks and inspectors.

The recent meetings that started and slowly stopped between the U.S. Customs Service, the maquilas industry, produce industry, and the business community of Nogales to discuss problems that affect our community were very good. We want to encourage the new district director to continue and expand this new idea. Open communications between the Customs Service and our community will help reduce negative feeling because of a lack of understanding.

The image of U.S. Customs appears to be tarnished in our community. To spend 45 minutes in line to enter the United States and to arrive at the inspection station and to watch an inspector disassemble a vehicle there instead of sending the vehicle to secondary while five or six inspectors are sitting behind the inspection station talking, reading, and giving the general appearance of goofing off. Somehow we want to suggest Customs find some way to inform the community of what is required at the inspection station. The present situation seems to indicate that the inspectors work only 30 percent of the time. Cashiers at Safeway work approximately 2 hours, take a 15-minute break, and return to work. We are not saying the inspectors are not working but this appearance of poor manpower utilization is not tolerated in the private sector. We feel the need for improved communication on this subject.

The recent meetings between United States Customs, Mexican customs, the maquilas industry, and their importers were very productive this unique idea allowed us all the remember that the commerce flows through two countries but only one community. Ambos Nogales is more than words, it is a way of life in our small but special community. The Maquilas Association strongly suggests these meetings be restarted for the continued good of the community and U.S. Customs.

We absolutely know the intent of U.S. Customs is good, but as anyone can see, we sometimes question the method. These questions can be answered with continued open and honest communication between all parties.

Thank you again for your interest Senator and thank you for introducing Senator Domenici and Commissioner von Raab to our community.

Senator DeConcini. Let. me ask one question. I don't know if each of you will be able to comment.

You heard the proposal that Senator Domenici and I have talked about here and the markup of the appropriations bill of increasing substantially the Customs commercial operations, staffing, allowing additional inspectors, import specialists, and support staff, as well as trying to upgrade some facilities and provide $3.3 million for this. I just would like each of you to go on record for us. I think I know your answer, but would this give substantial assistance to your operations, your representatives, and help the trade between you, United States/Mexico, assuming that some of these people and all of these improvements were dedicated to this part of the United States Customs border? Mr. Chavez?

Mr. Chavez. Absolutely, Senator. I think that it is a very good measure. Let me tell you that when I go to Mexico, I really fear coming back, to be very honest with you, if I put it point blank, because of the 45 or 60 minutes that I have spent over there and the inadequacy of the garita that we have. And then, you know, how strenuous the inspections are, and I don't have any problems with Customs doing their job, I just think it's more of a problem of attitude. If they would do their inspections and whatever their going to do with dignity for us, it would be a different story.

I have been stopped in my life by the highway patrol or whatever they are and they always tell me what they're going to do. They're very good in pointing out why they're there; they let me know. With Customs, my God, if you ask something and you get four people behind you and you dare to ask something, you better watch out. They'll say "Sit down right there." They shouldn't talk to us like that.

Senator DeConcini. Thank you. Mr. Uribe?

Mr. Uribe. Thank you, Mr. Chairman. Yes; I think it's most commendable and I commend both of you for the positions that you have taken with regard to the additional funds. I can only hope that maybe, perhaps funds that are to be expended, that they investigate the prorities.

I have seen the master plan. I have seen the preliminary plan which calls for remodeling of the Grand Avenue. This is fine and dandy, but the bulk of the commercial traffic comes through the west gate where we have a tremendous problem. I think perhaps if they would give us more, increase the number of lanes available for the commercial traffic in that area, that would help.

Senator DECONCINI. Thank you. Mr. Joffroy?

Mr. JOFFROY. I have two very brief points; one in the area of facilitation. I have been in this industry for about 15 years, and every time a planning is made to improve a facility, when it's finally completed, we're about 2 years behind what it should be. And maybe it sounds a little bit out of line to request four lanes, commercial lanes because that is very honestly my preferences that we have better commercial facilities; and four lanes really is not unreasonable.

So when we talk about money being allocated to the southern border, I'm absolutely in favor of it. I would be happy to dedicate as much money that would be needed for the points that are important to our industries as well as the maquiladoras and produce industry.

My second point is with respect, in regard to our Nation; that our southern border does have its peculiarities and it is a very sophisticated part of the country with regard to our industry. You'll find that many Customs brokers along the border are out fighting; most of them are on CB's or ABI. They are very willing to sit down with your people and design programs that will help it be successful down here as well.

Senator DECONCINI. Thank you, Mr. Joffroy. Mr. Lilley, do you have any comments on this?

Mr. LILLEY. Yes; I wholeheartedly, as I spoke earlier, do request additional lanes, but don't forget the tourist lanes. My van that runs back and forth mail, and with data that we transmit off of this side back and forth, the cargo sits in those same lanes that the passenger cars do. We're not allowed access to the commercial gate and I'm not saying we should be, but so whenever the tourists are backed up you slow down and you impact my operation. I think we shouldn't forget that.

Senator DECONCINI. Do you have any questions, Senator Domenici?

Senator DOMENICI. Well, I didn't know when I made my opening remarks and I said we were going to hear all the good things and perhaps we might even hear some of the bad things, that such a strong letter would follow, Commissioner. Very generous discussions; they really have their views reduced to writing.

I think what we ought to do is request the Commissioner to respond. Somebody raised the question, and I think it deserves an answer. In business parlance somebody said, Mr. Lilley said, the bottom line in his business is to show a return on investment. This raises the question of the bottom line with reference to how significant is the activity at the crossing itself with reference to searches. In obtaining illegal contraband, drugs, as compared with other processes in activities that are within your jurisdiction; and the notion was, "You're getting very little of it," somebody said.

Mr. LILLEY. Basically, when we went through a week of stopping every car, searching every truck, and opening every hood——

Senator DOMENICI. I don't know the answer. How important to the overall drug interdiction program is the search at the border crossing as compared with your other activities? Do you have an opinion?

Mr. von Raab. It is as important to Arizona as it is between the ports of entry. Unfortunately, the smugglers are flexible enough to be able to use either of the three avenues.

The issue of a long stretch of thorough inspections is one that, I think it's a good one to talk about. I'd be happy to address a lot of issues that came up here but, specifically, the threat in passenger cars and the threat in cargo is serious.

I have a rule of thumb: Every 100 pounds of cocaine that enters the United States one American dies. If that—and by the way, that's just a simple division of the dope that has been consumed in the United States and the number of Americans that have died not by way of or as a result of a robbery or other ways but by actual poisoning from cocaine.

You know, if we had a situation in which 150 pounds of explosives were threatened to be coming into the Arizona border carried by Iranians over the next 2 weeks, I think the American public would be quite tolerant of almost a stop of traffic to occur of the entire Arizona border to prevent those Iranians to bringing the 150 pounds in. But, at the same time, I'm not endorsing this or of a blitz approach. It is a tool that Customs uses. And I'm certainly going to be asking Jim Piatt, who may want to comment on it or may want to have a meeting privately, what sort of benefit we get from a blitz approach.

Some of the issues you raised, I'd be happy to comment on. The fact of the matter, now that cocaine is a threat on this border and 30 percent of the cocaine is coming in from Mexico, it's very easy to transport 50 pounds or 100 pounds of cocaine in a car and it's particularly easy to transport it in a truck. And 150 pounds, right there, you got one dead American somewhere in the United States. I value those lives very greatly, but that doesn't mean that we're not interested in working to facilitate. I don't want you to think that we're obsessed with that because we realize there are two sides to this issue.

Senator DeConcini. Would you care to comment, Mr. Piatt?

Mr. Piatt. Yes; I would like to. I was very disturbed to hear about the long lines. I'll say it from this perspective, I don't believe in people waiting in lines for 45 minutes.

We put out a policy statement from our regional headquarters last week saying that: You will not do secondary inspections at primary. I could not agree more with the comment on return on investment. I look at this as a business also and I don't think you get good results by doing secondary inspections on primary lanes. That's why there is a secondary lot. It makes my blood boil when I see inspectors standing around the secondary lots also, because they're there to inspect vehicles in the secondary. We will be tackling that problem, I assure you.

Second, from the standpoint of courtesy and professionalism, that's an area in which our inspectors could improve. We have very good capable inspectors, but because of the fact that they're out there in a grind-all-the-time job, sometimes they just forget to say, thanks or be on your way, or whatever. They get a little grumpy, and we're going to have to remind them of the fact that we want them to be law enforcement minded officials but at the same time smile once in a while and just say, thank you, and be on your way. Some of these issues are certainly issues that we are going to address.

As far as the other statements about, do we find narcotics in cars? Yes; every day. Every day I pick up the messages of significant enforcement activities in our region and every day we're finding marijuana. We're finding cocaine, or we're finding heroin. Some days when I'm really looking, we find all three, but we're finding it all the time. We're not finding a couple of baggies, we're talking about 50, 100, 200, 250 pounds in the false beds of pickup trucks.

Senator DECONCINI. How often do you find them here in Nogales?

Mr. PIATT. We find them in Nogales probably a couple of times a week. One of the things I do as a regional commissioner is to encourage our people. If I see them do a nice seizure, I get on the phone and call them. I say, "Good work, how did you do it?" I give them a pat on the back. They are finding narcotics in substantial amounts. The figures will bear it out, but they are finding it in the secondary lot, not the primary.

Senator DECONCINI. It should be done in the secondary lot; that's what a secondary lot is for. Do you have any other questions, Senator Domenici?

Senator DOMENICI. Not being from here, I just want to say, being from New Mexico and reading a little bit of the literature about how difficult it is in El Paso to get across the border, I think we'll have even more severe complaints there at El Paso. They have far more severe problems because of the inadequacy of the facilities, as you know, and extremely heavy, daily traffic, probably the heaviest in the region. But I do believe that, without going into any detail here, we heard some people that, I think, were honest. I think they obviously have their interest in it. It does seem to me that what they have suggested about some of the shortcomings of the situation here ought to be addressed.

We are pretty much aware of the fact that being a part of the Customs Service in the past, on these border facilities, has not been the greatest life. We understand that it's been dangerous in the past. We understand some Customs officials have almost given up; that's probably a legitimate reaction in their attitudes.

On the other hand, we've been here talking about what we're trying to do to make your job easier and to make these things do their job better and we've talked about a personnel enhancement. The Commissioner has been very forthright in urging that we give him more personnel, and I think we deserve at least a response to those kinds of complaints. I think they're made in good faith. And I didn't mean anything at all when I talked about strong letter follows. I think you did your job; if you hadn't done that, I don't think the chairman or I would have wasted our time inviting you here to come and tell us something that isn't right. I think you told us the truth.

Senator DeConcini. I agree with my colleague's remarks. We will give you the transcript and ask if you would respond to it.

Mr. Piatt. I would be very happy to come down and meet with the concerned people and try to work this out because we're all in the same boat.

Senator DeConcini. Let me yield to the Commissioner, if in fact he wants to make any quick comments.

Mr. von Raab. I just want to comment on some of Mr. Joffroy's suggestions which I think are very good. And I'm going to take this opportunity to encourage Mr. Piatt and Mr. Lawrence to look into some of his suggestions, particularly the consolidation of forms. We're trying to work with the Mexicans with the forms as far as on line selectivity is concerned. Jim, what is your thought about that?

Mr. Piatt. I'm not quite sure if—are you referring to 3461 selectivity?

Mr. von Raab. We can't finish it off here.

Mr. Piatt. I'm asking it with——

Mr. von Raab. We have worked very hard on the north border on automated techniques. We're now transferring them to this border. I just want you to know that the litany of suggestions that you come up with, I think are excellent. If at all possible, we will use Nogales as a pilot test to do that. So I don't want you to think that I wasn't listening. I know it's all contained in your testimony as well so we don't have to wait for the transcript to come out because a lot of these comments and suggestions are contained in your testimony.

Fred Lawrence has only been here about 1 month so he will be meeting with Mr. Piatt and with the business interests, so I'm not as concerned about the fact that he hasn't met with some of you. He's only been around for 1 month, and he has a family.

Senator DeConcini. You're saying he's going to meet with him?

Mr. von Raab. Yes; thank you.

Senator DeConcini. Commissioner, thank you. I'd love to come to Nogales and I'll be returning many times. You make my visit pleasant down here. Thank you gentlemen.

STATEMENTS OF:
PAUL P. VASQUEZ, AJO DISTRICT CHAMBER OF COMMERCE
RUSSELL L. JONES, PRESIDENT, RICHARD L. JONES CUSTOMHOUSE BROKERS, INC.

PREPARED STATEMENT

Senator DeConcini. I want to proceed now with the next panel—Mr. Paul Vasquez from Ajo and Russell Jones, Customhouse broker, from San Luis. If you would please come forward and give your statements.

[The statement follows:]

STATEMENT OF PAUL P. VASQUEZ

Thank you for allowing me to testify on Border Drug Enforcement and Commerce across the U.S./Mexico Border.

The closure of the Copper Mine and Smelter dictates that our community develope or attract other means of commerce, if Ajo is to survive. The Lukeville Port of Entry opening 24 hours a day appears to be one solution.

HISTORY OF THE PROJECT IN AJO.

The depressed Copper Market forced Phelps Dodge Corporation to close the Mine and Smelter in Ajo. This was the only source of industry and employment and the closure brought the community of six thousand to a hault. With the exodus of the labor force only half of the population remained. New industry on a large scale is very doubtful, since Phelps Dodge owns the majority of the property. The Chamber of Commerce began investigating the possibility of expanding the hours of operation at the Lukeville Port of Entry, on a 24 hour basis.

Paul P. Vasquez, Branch Manager and Assistant Vice President, Valley National Bank, Ajo Branch, was assigned to chair the program. He has been a resident of Ajo for 11 years and during that time has been very involved with merchants in Sonoyta and Puerto Penasco.

The first public meeting was held in Ajo, November 5th, 1985 followed by one in Sonoyta, December 6th, 1985.

Since that time several fact finding meetings have taken place, to include but not limited to, Senator DeConcini's office, Phoenix and Tucson, Senator McCain's office Phoenix, Ed Moore Pima County Board of Supervisors, Mayor and Chamber of Commerce, Sonoyta and Puerto Penasco, and other government agencies.

AREAS OF CONCERN.

DRUG CONTROL AND TRAFFICING.

Lukeville Port of Entry is located equal distance from Nogales, to the East and San Luis Port of Entry, to the West, 120 miles each direction. It's a known fact, drugs enter the U.S. virtually unchecked, thru well maintained roads on the Tohono O'Odham Reservation, at Menegers Dam, Papago Farms and San Miguel. Additional personnel at Lukeville and the Border Patrol will increase and apprehension of drug runners. The Canine Corps might be used with more consistency at Lukeville, to detect drugs. Current hours restricts the ability of Customs to adequately check vehicles crossing, when traffic backs up two and three miles.

ECONOMIC IMPACT IN AJO.

New jobs created by the services required to meet the needs of traffic. Service Stations, Restaurants, Motels, Truck Stop for Commercial Traffic, Storage Facilities to store Agricultural Products being delivered to the U.S. Quarantine pens to hold cattle entering the U.S., bound for feedlots. Ajo is accessible from the North Western Part of Mexico, 40 miles from Sonoyta, 113, from Puerto Penasco and 110 from Caborca. Caborca is located on a key transport route to the interior of Mexico.

Ajo is located 120 miles from Phoenix and 137 from Tucson. There is also a railroad spur 40 miles to Gila Bend where the railroad ties in with Southern Pacific.

MEDICAL FACILITIES.

With the volume of tourist traffic into Puerto Penasco, accidents are inevitable. Currently victims die or suffer greater injury due to the delay in transporting them to the U.S. The medical facility in Ajo has been used to stabilize the patient prior to air evacuation to Tucson or Phoenix. When the border is closed, every one must wait until the following morning. The extended hours, opening for 24 hours, should be of great significance in the reduction of car accidents, with the elimination of the race to get to the border before it closes. Another important factor is the language barrier, communicating during an emergency.

ECONOMIC IMPACT IN SONOYTA, SONORA.

Sonoyta, over the last 20 years has developed into a rapidly expanding Agricultural Area. Sonoyta receives electricity from Hermosillo and the farmers no longer have the expense of fuel for the diesel driven pumps. Population is expected to double to 35 thousand by the year 2000. There are 25204 acres in production and 160 wells providing water. Farmers are looking to export their crops through Lukeville, into the U.S. market. Customs counts on traffic for a five year period are as follows:

	AUTOS	TRUCKS
1982	155,648	701
1983	136,182	1875
1984	143,690	2534
1985	146,763	2492
1986	170,869	607
(Jan-June) 1987	8,699	448

The increase in truck traffic was the delivery of Volcanic Cinders to Phoenix, to make cinder block.

ECONOMIC IMPACT IN PUERTO PENASCO.

Last year Puerto Penasco was recognized as the largest Shrimp Producer on Mexico's West Coast. Shrimp fishing is the principal industry at this time. Shrimp exported to the U.S. could be delivered thru Ajo. This could also broaden the market in Arizona, principally Phoenix and Tucson.

Tourism is gaining in Penasco. Beaches and homes are well establighed, with construction of Condominiums, Hotels, Restaurants, and Tourists Attractions. Also under consideration at this time is the "Twin Plant" concept. Ajo would be used for the delivery point of finished products and raw material.

At this time the citizens of Sonoyta and Puerto Penasco must drive between one and two hours, out of their way, to cross the border at Nogales, if they have early appointments for whatever reason.

Penasco, in time will become the Puerto Vallarta and Mazatlan of Northwestern Mexico. To get there from the U.S. side, you must drive thru Ajo.

June 19th, 1987 the Airport at Puerto Penasco received its first Commercial Aircraft. Airline service is now available in Northwestern Sonora, landing at Mexicalli, San Luis Rio Colorado, Puerto Penasco, Caborca and Hermosillo. It will be declared an International Airport as soon as Penasco can retain 250 tourist on a consistant basis.

PUBLIC AWARENESS AND SUPPORT.

As Ajo, Sonoyta and Puerto Penasco continue to develope, there has been a great interest in the potential of the areas. Private investors view Ajo as a retirement community. They are also investing in housing developments along Penasco's coast line.

During the month of June, 1987 petitions were circulated in Ajo, Sonoyta and Penasco. In addition to letter of support from the Mayor of Puerto Penasco and Sonoyta, the Presidents of the Chambers of Commerce from the respective communities, I received the endorsement from 250 merchants from Penasco, 50 merchants from Sonoyta and over 450 signatures from Ajo and tourists passing thru.

Ajo has received publicity across the U.S. through the USA Today, The Journal of Commerce, The Birmingham News, The Sunday Republican, Springfield Mass, San Antonio Light, Arizona Daily Star, The Arizona Republic and Ajo Copper News.

Mr. VASQUEZ. Thank you Senator DeConcini, Senator Domenici, and Commissioner von Raab. The close of the copper mine in Ajo and the smuggling dictated that our community developed other means of commerce if Ajo was to survive. The Lukeville port of entry opening 24 hours a day appears to be one solution to try to get this to fruition.

We've met with members of your office and so forth and did just about as much homework as we thought we possibly could. Areas of concern are the drug control and traffic. Lukeville port of entry is located equal distance from Nogales to the east and San Luis port of entry to the west, 120 miles in each direction.

It's a known fact that drugs enter the United States virtually unchecked between these 240 miles. The well-maintained roads, for one, Papago Farms. Additional personnel at Lukeville and border patrol will increase the apprehension of the drug runners. The canine court might be used more inconsistently at Lukeville to detect drugs. Current hours restrict the ability of Customs to adequately check the vehicles crossing when traffic backs up 2 and 3 miles. Needless to say, the economic impact on Ajo; that's what we're looking for, services to serve in many facilities that would be coming down there.

We have the medical facilities that are currently being utilized. We were speaking of death earlier. If there's an accident in Mexico, people die because they're not able to get back across that border on the current hours. Currently they're bought into Ajo and stabilized and sent out to the Tucson or Phoenix hospitals.

The economic impact in Sonoita, Sonora, Mexico; we looked at that over the past 20 years. Sonoita has developed into a rapidly expanding agricultural area. They now receive electricity from Hermosillo where they used to use diesel for their water and so forth. And this electricity has enabled them to develop a lot more acreage. The population alone is expecting to double to 35,000 by the year 2000. There are 25,000 acres in production and 160 wells currently providing water to the farmers.

The economic impact on Puerto Peñasco is also very important. Last year Peñasco was recognized as the leading producer of shrimp along the west coast in Mexico. The shrimping industry could certainly bring that—those payloads through Ajo to the various markets in the United States.

Tourism is gaining very rapidly in Puerto Peñasco in the development of condominiums, restaurants, et cetera. And it's the opinion of the people in that area that Puerto Peñasco in the future will become a Puerto Vallarta and Mazatlan of northwestern Mexico. And to get there you need to drive through Ajo.

Public awareness; as Ajo and Sonoita and Puerto Peñasco continue to develop, there has been a great interest in the potential of the area. Private investors view Ajo as a retirement community. The are also investing in the housing development along Peñasco's coastlines.

We've, during months of June, circulated petitions to support our cause, and we received a lot of support from the chamber of commerce in Puerto Peñasco, Sonora, and from the mayors of the, of both communities. From Ajo there were just these figures, and I will update this figure, just a little over 1,000 petitions.

In summary, Commissioner von Raab, I can solve your problem here at the bottom of Nogales. If you open up Lukeville to commercial agricultural traffic; we promise that.

Senator DECONCINI. Thank you, Mr. Vasquez. Mr. Jones?

Mr. JONES. Good afternoon.

Senator DECONCINI. Good afternoon.

PREPARED STATEMENT

Mr. JONES. One quick correction. I'm president of Rich L. Jones Customhouse Brokerage. We service Sonoita Lukeville. We also have services that serve all the ports over to San Diego.

The other thing was, most of my comments, my written comments I'm not even going to get into.

Senator DECONCINI. We will make those changes in the record.

[The statement follows:]

STATEMENT OF RUSSELL L. JONES

I welcome and sincerely appreciate the opportunity to appear and testify before this subcommittee on behalf of the private sector, both commercial and noncommercial.

My name is Russell Jones. I am president of Richard L. Jones Customhouse Brokers in San Luis, Yuma County, AZ.

In addition to San Luis, AZ, we maintain offices in Calexico and Tecate, CA, in the San Diego Customs District. We have served the Southwest as customhouse brokers for nearly 50 years and three generations and as a family have been involved in international trade along the Mexican border since 1907. My grandfather, the late Earl D. Roberts was the last of the collectors of customs appointed by John Kennedy and later reappointed to a regional position by President Johnson. My concern, therefore, for the Custom's Service and its mission is more than that of an outsider looking in, but of one that is deeply involved in international trade and with U.S. Customs in particular.

It is certainly understandable with the flood of illegal aliens, the new immigration law, and the deluge of drugs flowing out of Mexico to the United States, that our Customs Service and immigration services would be preoccupied with those situations. It makes sense, therefore, that an everincreasing share of the work force available to the Customs Service are directed at increased surveillance and interdiction drugs along the Mexican border. We have already seen the results of this in the commercial sector by the delays and backups created at the Customs commercial facilities from inspections of vehicles and goods coming out of Mexico. We have also seen this in long lines of cars waiting to cross the border to returning home or to shop in the United States.

The significant increases in commercial and civilian traffic coupled with the need to address the drug problem are creating a disastrous situation for manufacturers, importers, and border city retailers. Protection of the revenues, and service to the public are missions that still should be high in the priority for U.S. Customs. However, with inadequate and in many cases obsolete facilities and insufficient manpower to address the needs, there is little hope for solution to the current problem of congestion at the border and their resulting impact on the economies of the United States and Mexican border communities and their respective industrial sectors.

In the last 5 years, here in the Yuma/San Luis region, we have seen both the commercial and civilian volume of crossings and importations increase by at least 40 percent every year. In 1986, inbound only, 12,738 commercial trucks crossed through the Port of San Luis. In just the first 6 months of 1987, we have had 12,098 trucks cross.

Based on projected plantings in the Mexican fresh produce industry and the opening of new twin plants in the Yuma/San Luis area, there is every reason to believe that this trend will continue and, if anything, increase in the coming years. The port of entry in San Luis, though new, was designed based on demographics of 5 to 7 years ago. It is common for traffic lines in the civilian vehicular and pedestrian areas to be backed up for 1 to 2 hours. In the commercial areas, trucks wait in line and on the Mexican side for an opportunity for dock space at Customs.

However, even if the facilities were to be expanded, manpower shortages in San Luis would not permit them to be manned. The San Luis port of entry, not counting the port director, aides, dog handlers, and clerk typists is authorized only 27 inspectors, 3 of which are supervisors. Currently, they have 2 supervisors and 21 inspectors. They must support, less those individuals on leave, sick, or in training; 24 hours a day, 7 days a week, holidays included a separate commercial dock, four primary vehicle inspection lanes, a secondary vehicle inspection area, administration offices, and the pedestrian inspection area. To my knowledge, they've never been able to open more than three of their existing four vehicular lanes. It is becoming increasingly difficult to get overtime services for perishables, on weekdays and impossible at this point to get Saturday service for perishables. If I am a Mexican consumer, I certainly am not going to wait 1½ hours in line in temperatures of over 100 °F to spend my money in the United States. Nor can a producer shipper afford to risk a load of valuable fresh produce because there isn't sufficient manpower to clear him at the border.

I have taken the liberty of gathering statistics and information from both U.S. Customs, Arizona Department of Transportation, and the U.S. Department of Agriculture that show the significant increases in volumes in their respective areas that we have seen over the last year or so. They are also indicative of what we are to expect in the future.

If U.S. Customs is going to service the needs of the commercial sector and civilian sectors and at the same time increase their surveillance and interdiction program for drugs, international trade and relations are going to suffer irreparable harm unless the appropriations for improved facilities and manpower are provided.

Finally, let me add that it makes good business sense to not only beef up the inspection force, but that of classification and value as well. The revenues created by imports directly and the taxes raised from purchases of goods and services by Mexicans in the United States will undoubtedly pay for the investment with interest, not to mention the good will created of returning American tourists, importers, and our neighbors in Mexico.

STATISTICAL DATA—U.S. CUSTOMS PORT OF ENTRY SAN LUIS

Month/year	Private vehicles arriving	Predestrians crossing	Arriving cargo trucks (Entries)	Arriving empty commercial/ trucks	Arriving private A/C	Arriving private A/C passenger
June 1986	100,530	38,640				
July 1986	94,782	40,238				
August 1986	107,780	44,012				
September 1986	115,980	50,190				
October 1986	115,898	68,361				
November 1986	125,190	95,670	1,040	483	28	103
December 1986	145,945	153,806	1,122	587	17	55
January 1987	152,159	152,266	1,483	805	36	140
February 1987	146,246	150,147	1,527	461	29	98
March 1987	163,951	127,169	2,103	593	30	122
April 1987	150,657	80,476	1,082	355	17	62
May 1987	148,697	69,684	1,278	286	33	155
June 1987	138,732	57,421	1,380	683	26	129
July 1987	138,640	56,288	828	560	25	122

Authorized manpower ceiling, San Luis port of entry: 27 total.

	Authorized	Current
Port director	1	1
WAE's (part time)	2	2
Aides	2	2
Dog handlers	2	2
Supervisors	3	2
Inspectors	24	21
Totals	34	30

ARIZONA DEPARTMENT OF TRANSPORTATION FIGURES FOR COMMERCIAL TRUCKS

Month/year	Inbound	Outbound	Total
December 1985			808
January 1986			715
February 1986			692
March 1986			753
April 1986			900
May 1986			995
June 1986			1,011
July 1986			1,129
August 1986			910
September 1986			890
October 1986			1,131
November 1986			2,228
December 1986	2,007	898	2,905
January 1987	1,990	1,035	3,025
February 1987	1,975	1,099	3,074
March 1987	2,375	1,263	3,638
April 1987	1,886	806	2,692
May 1987	1,936	1,077	3,013
June 1987	1,936	1,040	2,976
July 1987	1,376	951	2,327

SAN LUIS COMMODITIES

	Kilograms	Pounds
FISCAL YEAR 1976		
Bananas	470	1,036
Cactus leaf	18	40
Cantalope	272	600
Chayote	10	22
Coconuts	318	700
Corn, green	1,669	3,680
Cucumber	645	1,422
Garlic	145	320
Husk tomato	71	187
Jicama	2,016	4,444
Melons, honeydew	1,814	4,000
Onions, dry	508	1,120
Papaya	197	435
Pepper, bell	110	242
Pepper, chili	1,456	3,211
Pineapple	1,449	3,195
Squash	191	420
Tamrind	77	170
Tomato	2,517	5,549

SAN LUIS COMMODITIES—Continued

	Kilograms	Pounds
FISCAL YEAR 1976—Continued		
Turnips		
Watermelon	28,640	63,140
Totals	42,594	93,903
FISCAL YEAR 1977		
Bananas	7,908	17,435
Cabbage	16,250	35,825
Cantalope	665,425	1,467,009
Carrot	14	30
Chayote	122	268
Coriander	468	1,031
Corn, green	1,814	4,000
Cucumber	1,129	2,490
Garlic	3,608	7,954
Husk tomato	214	471
Jicama	5,458	12,033
Lettuce	7,893	17,400
Melons, honeydew	454	1,000
Onions, dry	1,229	2,710
Onions, green	4,297	9,474
Papaya	882	1,944
Pepper, bell		
Pepper, chili	2,606	5,746
Pineapple	4,790	10,561
Pursalane	125	276
Squash	1,363	3,005
Tamrind	20	45
Tomato	57,307	126.340
Watermelon	395,829	872,653
Totals	1,179,205	2,599.700
FISCAL YEAR 1978		
Acorn	181	399
Bananas	3,647	8,040
Beans, dry	17,144	37,796
Beans, green	86	189
Broccoli	60	132
Cabbage	12,570	27,712
Cantalope	72,701	160,278
Carrot	1,027	2,265
Chard	223	491
Coriander	799	1,761
Corn, green	413	911
Cucumber	2,639	5,818
Garlic	4,445	9,800
Husk tomato	1,326	2,928
Jicama	2,773	6,113
Lettuce	5,339	11,770
Onions, dry	523	1,152
Onions, green	2,847,307	6,277,230
Papaya	3,249	7,160
Pepper, chili	3,307	7,951
Pineapple	6,140	13,536
Pursalane	100	221
Radish	2,655	5,853
Spinach	442	974

SAN LUIS COMMODITIES—Continued

	Kilograms	Pounds
FISCAL YEAR 1978—Continued		
Squash	89,775	197,919
Tamrind	38	84
Tomato	49,475	109,074
Watermelon	992,257	2,187,550
Totals	4,120,939	9,085,105
FISCAL YEAR 1979		
Acorns	8	18
Bananas	24,390	53,771
Beans, green	1,214	2,676
Broccoli	215,534	476,171
Cabbage	50,632	111,634
Cantalope	1,740,809	3,836,720
Carrots	18,160	29,013
Cauliflower	55,174	121,638
Celery	98	205
Chard	508	1,120
Chayote	356	785
Coriander	1,263	2,785
Corn, green	471	1,039
Cucumbers	9,413	20,752
Dates	5	11
Garlic	2,567,269	5,659,853
Husk tomato	1,373	3,027
Jicama	75,215	165,820
Lettuce	22,087	48,693
Melons, crenshaw	248,560	547,980
Melons, honeydew	175,376	386,638
Onions, dry	1,438	3,170
Onions, green	9,470,027	20,877,832
Papaya	1,395	3,076
Peanuts	129	285
Pepper, bell	340	749
Pepper, chili	3,293	7,260
Pineapply	127,097	280,201
Radish	378,982	835,512
Rapini	3,075	6,780
Squash	369,045	813,605
Tamrind	3,047	6,718
Tomato	136,786	301,562
Turnips	9,253	20,399
Watermelon	2,538,861	5,597,224
Totals	18,245,191	40,223,712
FISCAL YEAR 1980		
Bananas	2,576	5,678
Beans, green	2,017	4,447
Bok choy	3,858	8,505
Broccoli	40,592	89,490
Cabbage	2,829	6,286
Cactus fruit	500	1,102
Cantalope	145,997	321,867
Cauliflower	5	11
Celery	134	296
Chard	14	31
Chayote	832	1,835

SAN LUIS COMMODITIES—Continued

	Kilograms	Pounds
FISCAL YEAR 1980—Continued		
Coconut	474	1,046
Coriander	25,892	57,083
Corn, green	308	679
Cucumber	3,902	8,603
Escarole	625	1,378
Garlic	142,841	314,911
Grapes	188,877	416,402
Husk tomato	6,168	13,588
Jicama	2,020	4,453
Lettuce	607,098	1,338,413
Melons, honeydew	520,672	1,147,804
Onions, dry	2,709	5,973
Onions, green	5,386,124	11,874,356
Papaya	2,170	4,785
Peanuts	45	100
Peas, sweet	68	100
Pepper, bell	225	497
Pepper, chili	8,465	18,662
Pineapple	35,290	77,800
Pumpkin seed	174	384
Radish	308,885	680,974
Sesame seed	9,000	19,842
Squash	62,884	138,636
Tamrind	36	79
Tomato	12,162	26,812
Turnip	26,835	59,161
Watermelon	418,333	922,266
Totals	7,971,630	17,574,415
FISCAL YEAR 1981		
Bananas	4,208	9,277
Beans, green	889	1,960
Cabbage	77	170
Cantalope	6,350	14,000
Carrots	45	99
Celery	91	201
Chard	34	75
Chayote	108	238
Coconuts	41	91
Coriander	222	490
Corn, green	168	371
Cucumber	2,853	6,289
Garlic	309,446	682,210
Husk tomato	225	497
Jicama	3,878	8,550
Melons, casaba	14	31
Melons, honeydew	517	1,140
Onions, dry	2,564	5,652
Onions, green	1,340,570	2,955,448
Papaya	1,354	2,986
Peanuts	150	331
Peas, sweet	18	40
Pepper, bell	743	1,638
Pepper, chili	7,162	15,789
Pineapple	2,555	5,633
Radish	12,998	28,656
Squash	3,809	8,398

SAN LUIS COMMODITIES—Continued

	Kilograms	Pounds
FISCAL YEAR 1981—Continued		
Tomato	44,914	99,019
Watermelon	483,622	1,066,202
Totals	2,229,627	4,915,481
FISCAL YEAR 1982		
Asparagus		
Bananas	5,173	11,404
Beans, dry		
Beans, green	477	1,062
Beets, red		
Bok choy		
Broccoli		
Cabbage	117,757	259,609
Cantalope	6,378	14,060
Carrot	34	75
Cauliflower		
Chard	112	246
Chayote	46	102
Choy sum		
Collards		
Coriander	78	172
Corn, green	91	201
Cucumber	973	2,145
Dates		
Garlic	17,199	37,918
Gay lohn		
Grapes	55,840	123,106
Husk tomato	2,687	5,923
Jicama	2,691	5,933
Kale		
Leeks		
Lettuce	45	100
Melons, casaba		
Melons, crenshaw		
Melons, honeydew		
Napa	65,680	144,799
Nuts, pine		
Onions, dry	1,638	3,600
Onions, green	2,424,304	5,344,670
Papaya	2,908	6,478
Parsley		
Pepper, bell	209	461
Pepper, chili	3,878	8,539
Pineapple	40,372	89,005
Radish	80,528	177,534
Rapini		
Squash	162,765	358,834
Tamrind	75	166
Tomato	919	2,026
Turnip	2,994	6,600
Watermelon	841,181	1,854,484
Totals	3,837,052	8,459,242

SAN LUIS COMMODITIES—Continued

FISCAL YEAR 1983

	Kilograms	Pounds
Asparagus	44	96
Bananas	2,796	6,165
Beans, dry		
Beans, green	22,175	48,887
Beets, red	35,781	78,883
Bok choy		
Broccoli		
Cabbage	42,716	94,173
Cabbage, Chinese	140,156	308,991
Cantalope	739,529	1,630,380
Carrot	150,838	332,841
Chayote	68	150
Choy sum		
Collards	454	1,000
Coriander	44,204	97,453
Corn, green	122	270
Cucumber	78,572	173,221
Dates		
Garlic	305,743	674,048
Gay lohn		
Grapes		
Husk tomato	450	991
Jicama	2,302	5,076
Kale		
Leeks		
Lettuce	1,798,519	3,965,051
Melons, casaba		
Melons, crenshaw		
Melons, honeydew	45	100
Nuts, pine		
Olives	148,086	326,474
Onions, dry	491	1,083
Onoins, green	5,596,319	12,337,757
Oregano	6,600	14,550
Papaya	1,170	2,579
Parsley		
Pea, sweet	6,402	14,114
Pepper, bell	2,077	4,579
Pepper, chili	3,328	7,336
Pineapple	16,976	37,425
Radish	203,526	448,698
Sesame seed	15,900	35,053
Spinach	2,891	6,374
Squash	663,286	1,462,293
Tamrind	13,381	29,500
Tomato	68,427	100,855
Watermelon	2,181,460	4,809,290
Totals	12,294,834	27,105,436

FISCAL YEAR 1984

	Kilograms	Pounds
Asparagus	59,136	130,878
Bananas	3,963	8,736
Beans, dry	747	1,646
Beans, green	828	1,826
Beets, red	3,609	7,957
Bok choy		
Broccoli	100,881	222,404
Cabbage	280,504	618,405

SAN LUIS COMMODITIES—Continued

	Kilograms	Pounds
FISCAL YEAR 1984—Continued		
Cantalope	2,607,336	5,748,184
Carrot	473,990	1,044,968
Cauliflower		
Celery	23	51
Choy sum		
Collards	626	1,380
Coriander	9,048	19,948
Corn, green	16,115	35,528
Cucumber	30,586	67,430
Dates		
Garlic	139,034	306,517
Gay lohn		
Grapes	234,081	516,060
Husk tomato	305	673
Jicama	2,277	5,020
Kale	22,298	49,159
Leeks		
Lettuce	466,292	1,027,996
Melons, canary	27,814	61,319
Melons, casaba		
Melons, crenshaw	61,398	135,359
Melons, honeydew	299,060	659,313
Melons, persian	38,247	84,319
Mustard greens	596	1,314
Onions, dry	1,098	2,420
Onions, green	7,621,385	16,802,148
Papaya	1,133	2,498
Parsley	231,668	510,740
Pepper, bell	343	757
Pepper, chili	19,419	42,812
Pineapple	2,356	5,191
Radish	271,546	598,656
Rapini		
Spinach	4,653	10,259
Squash	550,372	1,213,362
Tamrind		
Tomato	44,964	99,129
Turnip	272	600
Watermelon	3,106,947	6,849,416
Totals	16,734,799	36,893,873
FISCAL YEAR 1985		
Acorn	9	20
Asparagus	151,416	333,814
Bananas	4,421	9,746
Beans, dry	950	2,094
Beans, green	1,007	2,220
Beets, red	1,524	3,360
Bok choy	84,446	186,171
Broccoli	705,033	1,554,329
Cabbage	1,053,875	2,323,394
Cantalupe	1,886,244	4,158,451
Carrot	1,387,259	3,058,380
Cauliflower	450,130	992,366
Celery	14	30
Chayote	104	229
Choy sum		
Collards	8,907	19,636

SAN LUIS COMMODITIES—Continued

	Kilograms	Pounds
FISCAL YEAR 1985—Continued		
Coriander	25,145	55,435
Corn, green	548	1,209
Cucumber	2,534	5,587
Dates	29,865	65,841
Escarole	9,879	21,779
Garlic	215,764	475,678
Gay lohn	....	....
Grapes	76,910	169,557
Husk tomato	55,393	122,121
Jicama	2,719	5,995
Kale	71,874	158,454
Leeks	....	....
Lettuce	4,865,686	10,726,989
Melons, Canary	45	100
Melons, crenshaw	54,943	121,129
Melons, honeydew	157,094	346,333
Melons, Persian	4,536	10,000
Napa	16,031	35,342
Onions, dry	30,105	66,370
Onions, green	10,682,708	23,551,312
Papaya	2,493	5,497
Parsley	186,776	411,771
Pepper, bell	103,387	227,929
Pepper, chili	109,932	242,359
Pineapple	159	351
Radish	367,867	811,007
Rape	8,620	12,390
Rapini	329,935	727,381
Snow peas	....	....
Spinach	4,856	10,706
Squash	816,584	1,800,258
Tamrind	2,447	5,395
Tomato	12,221	26,943
Turnip	....	....
Watermelon	2,508,589	5,530,486
Totals	26,487,977	58,395,924
FISCAL YEAR 1986		
Asparagus	167,013	368,201
Bananas	4,328	9,542
Beans, dry	6,251	13,780
Beans, green	54,727	120,652
Bok choy	2,479	5,466
Broccoli	804,678	1,774,010
Cantalope	2,521,402	5,558,734
Carrots	905,648	1,996,609
Cauliflower	1,022,348	2,253,888
Chayote	68	150
Choy sum	....	....
Collards	19,729	43,496
Coriander	63,196	139,324
Corn, green	1,888	4,163
Cucumber	10,240	22,575
Dates	47,870	105,535
Garlic	2,937	6,474
Gay lohn	4,282	9,440
Grapes	905,213	1,995,651
Husk tomato	32,257	71,116

SAN LUIS COMMODITIES—Continued

	Kilograms	Pounds
FISCAL YEAR 1986—Continued		
Jicama	4,906	10,815
Kale	222,399	490,305
Leeks	279,374	615,913
Lettuce	3,515,236	7,749,760
Melons, crenshaw	125,600	276,900
Melons, honeydew	1,151,278	2,538,130
Onions, dry	310,944	685,513
Onions, green	15,942,108	35,146,291
Papaya	2,357	5,197
Parsley	596,985	1,316,125
Pepper, bell	246,609	543,679
Pepper, chili	7,807	17,212
Radish	1,458,109	3,214,576
Rapini	384,291	847,216
Snow peas	1,812	3,995
Spinach	420,643	927,359
Squash	1,626,140	3,585,021
Tamrind	3,881	8,556
Tomato	472,238	1,041,106
Watermelon	5,693,659	12,552,354
Totals	39,042,932	86,074,828
FISCAL YEAR 1987		
Asparagus	983,353	2,167,920
Bananas	8,230	18,143
Beans, dry	3,105	6,845
Beans, green	336	741
Beets, red	81,523	179,727
Bok choy	98,194	216,480
Broccoli	719,246	1,585,661
Cabbage	5,155	11,365
Cantalope	2,435,511	5,369,376
Carrots	1,350,792	2,757,520
Cauliflower	2,086,741	6,805,091
Chayote	54	120
Choy sum	3,729	8,221
Collards	997	2,199
Coriander	119,210	262,812
Corn, green	48,836	107,664
Cucumber	106,137	233,992
Dates	31,448	69,330
Gar-leek	1,572	3,465
Garlic	587	1,295
Gay lohn	51,846	114,300
Grapes	242,271	534,115
Husk tomato	5,545	12,225
Jicama	8,519	18,781
Kale	328,567	724,866
Leeks	818,841	1,805,233
Lettuce	477,207	1,052,059
Mango	576,565	1,271,107
Melons, charlyn	16,950	37,368
Melons, crenshaw	49,765	109,714
Melons, honeydew	437,486	964,490
Melons, Santa Cla	15,611	34,416
Nuts, pine	280	617
Okra	5,289	11,660
Onions, dry	1,308,881	2,885,585

SAN LUIS COMMODITIES—Continued

	Kilograms	Pounds
FISCAL YEAR 1987—Continued		
Onions, green	26,946,382	59,406,533
Oregano	280	507
Papaya	1,680	3,594
Parsley	656,156	1,446,575
Pepper, bell	111	245
Pepper, chili	19,367	42,697
Pumpkin	54	120
Pumpkin seed	2,970	6,548
Radish	2,220,674	4,895,743
Rapini	1,487,374	3,279,094
Spinach	386,845	852,846
Squash	1,784,330	3,933,770
Tamrind	4,027	8,877
Tomato	21,115	46,550
Turnip	9,517	20,982
Watermelon	5,465,751	12,049,804
Totals	52,334,090	115,378,588

SAN LUIS ENTRIES

Month	REG entries	ROT entries	Total entries
FISCAL YEAR 1978			
October			
November			
December			
January			
February			
March			
April			
May			
June	75		75
July	35		35
August	15		15
September	16		16
Totals	141		141
FISCAL YEAR 1979			
October	22		22
November	71		71
December	94		94
January	201		201
February	235		235
March	223		223
April	295		295
May	309		309
June	268		268
July	233		233
August	17		17
September	22		22
Totals	1,990		1,990

SAN LUIS ENTRIES—Continued

Month	REG entries	ROT entries	Total entries
FISCAL YEAR 1980			
October	56		56
November	62		62
December	66		66
January	110		110
February	188		188
March	125		125
April	114		114
May	121		121
June	47		47
July	24		24
August	20		20
September	17		17
Totals	950		950
FISCAL YEAR 1981			
October	22		22
November	23		23
December	35		35
January	38		38
February	55		55
March	58		58
April	59		59
May	64		64
June	37		37
July	7		7
August	4		4
September	15		15
Totals	417		417
FISCAL YEAR 1982			
October	12		12
November	33		33
December	70		70
January	62		62
February	67		67
March	78		78
April	118		118
May	90		90
June	59		59
July	11		11
August	8		8
September	8		8
Totals	616		616
FISCAL YEAR 1983			
October	13		13
November	97		97
December	191		191
January	118		118
February	173		173
March	319		319
April	207		207
May	141		141

SAN LUIS ENTRIES—Continued

Month	REG entries	ROT entries	Total entries
FISCAL YEAR 1983—Continued			
June	12		12
July	157		157
August	48		48
September	19		19
Totals	1,495		1,495
FISCAL YEAR 1984			
October	22		22
November	108		108
December	78		78
January	231		231
February	209		209
March	353		353
April	231		231
May	133		133
June	365		365
July	139		139
August	43		43
September	13		13
Totals	1,925		1,925
FISCAL YEAR 1985			
October	76		76
November	269		269
December	309		309
January	464		464
February	418		418
March	557		557
April	416		416
May	235		235
June	227		227
July	69		69
August	13		13
September	16		16
Totals	3,069		3,069
FISCAL YEAR 1986			
October	135	45	180
November	179	179	358
December	196	232	428
January	263	312	575
February	261	306	567
March	359	359	718
April	322	259	581
May	280	240	520
June	345	235	580
July	58	29	87
August	9		9
September	22		22
Totals	2,429	2,196	4,625

SAN LUIS ENTRIES—Continued

Month	REG entries	ROT entries	Total entries
FISCAL YEAR 1987			
October	148	43	191
November	268	249	517
December	323	345	668
January	302	420	722
February	387	397	784
March	510	489	999
April	509	458	967
May	339	340	679
June	401	299	700
July	112	35	147
August			
September			
Totals			6,374

STATEMENT OF RUSSELL JONES

Mr. JONES. I want to address some of the comments made earlier. The Drug Interdiction Program is a national imperative, without question. Unfortunately, it should not be a cause to the other roles in U.S. Customs which are service to public and private sectors and others and to the protection of the revenue. And they're certainly not going to be able to do that with increased emphasis on interdiction program without increasing staff and facilities to service the others. My vote is, yes. There are no proposals, I'll get that right off the bat.

Senator DECONCINI. That's what we want to do. We want to build a record that we think it's reasonable and then find the money, which will be a big problem, but Senator Domenici does that for us.

Mr. JONES. I see quite a few different areas that I feel that are necessary. One is the upgrading of the facilities. Speaking for the old time facilities in old time Mesa are beautiful but they're already at peak usage, possibility of reopening commercial traffic; the San Isidro port might be a possibility. Also, increasing the facilities in Tecate, built in the 1940's and 1950's when there was less than 300 entries, are now in excess of 10,000 entries in the same facilities.

Senator DECONCINI. How old is that one?

Mr. JONES. Forties and fifties.

Senator DECONCINI. I haven't seen it, but it must be a wreck.

Mr. JONES. It's, it has one single lane for vehicular traffic and it's very useful as a release valve for the Otay facility.

If they can increase the commercial facilities and the pedestrian and vehicular lanes it might add to the relief to the already congestion they're having over in Otay.

Calexico, totally inadequate; needs an Otay on the east side of town because the current facilities are in the central business district, retail district of both communities.

Senator DECONCINI. We would be glad to note that in our proposal.

Mr. JONES. Excellent. That's absolutely necessary. The small Port of Andrade is open very few hours. It provides or should be able to provide a relief valve for Calexico and San Luis which are congested. However, it's only open until, I think, 10 o'clock at night and there are absolutely no commercial facilities. They discourage actively in that district the use of Andrade as a port of entry.

San Luis, thank you very much. Without you, we wouldn't have that beautiful port of entry. Unfortunately someone commented earlier; it was planned 8 years ago we've had it for 2 years and the six lanes or six positions open for commercial are—there's long lines waiting to use those, waits in the vehicular traffic area are up to 2 hours now. So much for the facilities.

Additional inspection, that goes without saying to handling facilities. The other area of personnel, I think, is very important to consider. The district of San Diego has five active commercial ports of entry and seven total; Nogales district has five, four active commercial ports, one fairly inactive, but there's five in there. You have to recognize the geography of this area. And I would urge you to consider, not decentralizing the classification value of personnel to the various ports of entry. I think that would facilitate commercial traffic in those areas, rather than having the mountain come to Mohammed, so to speak.

The third area, agency, other agency cooperation. I want to point out, for instance, immigration. I think people were talking about the backup at the line. Immigration, as commented earlier, has 50 percent of the responsibility. Unfortunately, they're about 80 percent of the problem. Often times they don't mend their positions on, in the primary lanes and when they do, most often is those of the inspectors that are pulling the secondary-type inspections. My experience in all those ports of entry is that the Customs personnel have been very pleasant, very professional, work well with the public and do their best to keep traffic moving, flowing faster. I would recommend Customs, that they change the color of their uniform, and that way they would be distinct from the other agency and wouldn't get so much guff for what happens there.

Mr. VON RAAB. We can just get a sign that says: "I don't work for the Department of Justice."

Mr. JONES. Another area is the U.S. Department of Agriculture, Port of Tecate, many years ago, had several agriculture inspectors; it has none right now.

Support of San Luis that went in 1976 from 90,000 pounds of produce to a current 115,000 pounds of produce has one USDA inspector when, in the years ago, they had three. So USDA has been curtailing their inspection, and it's a point that creates problems in this particular district because Customs are providing personnel but other agencies are not providing sufficient personnel to help; for instance, Lukeville does not have a USDA inspector. They can have all the Customs inspections they want; we don't have USDA there. It's not going to happen, nor is it going to happen at Andrade. Calexico has eight USDA inspectors, San Luis has one. Fortunately they're in separate districts so we can't move them around; this type of problem.

Senator DECONCINI. OK.

Mr. JONES. Area of textiles, quickly. I can understand the logic of imposing United States textile quotas on United States textiles going to Mexico for assembly. The logic of that escapes me; that would be another area.

I would recommend that a formalized system of input from the private sector, not only at the local but at the national level, be formalized. I think, again, the comment that a lot of systems and programs go into effect, their initial stages, they're tested in the Marine Corps and airports and they provide very good services for them. However, when they're implanted to the border areas, there's very little discussion on modifying them to adjust to the borders.

With additional input on a regular basis with the border communities effected, I think would serve Customs very well and the border very well. Those are my comments on that. I had a few other notes here; I'll just try to——

Senator DECONCINI. We're running out of time.

Mr. JONES. I know. GSA triggered the system——

Senator DECONCINI. Mr. Jones, you have some good ideas.

Mr. JONES [continuing]. It is unfair to Mexico, the way it works. Produce rates of duty go up as high as 35 percent, textiles up to 42 percent. They seem a little bit out of line.

On the comment on 807. If we eliminate 807 we're playing right into the hands of Japanese, Koreans, and others moving in heavily into the western area.

Senator DECONCINI. Thank you. I'm glad to have your position on the record.

Mr. JONES. We are just cutting our own throats to foreign competition if we just give Mexico, as a source of competitiveness for our tool; we're nuts. I had a number of others. I'll be glad to——

Senator DECONCINI. Let me give you some good news. If the Domenici/DeConcini plan goes through, Otay is going to get a substantial improvement, not all of the ones you mentioned, but we're going to move in the direction that you've suggested. You offered some very constructive suggestions along those border stations which are not in either one of our States, but we're interested in the whole process as well as Texas. Thank you, Mr. Jones.

Senator DOMENICI. Thank you very much.

Senator DECONCINI. Do you have any questions?

Senator DOMENICI. No; I don't.

STATEMENTS OF:

LEONARD L. FULLER, EXECUTIVE DIRECTOR, YUMA ECONOMIC DEVELOPMENT CORP.

HAROLD VANGILDER, PRESIDENT, SIERRA VISTA ECONOMIC DEVELOPMENT FOUNDATION

Senator DECONCINI. Len Fuller, director of the Yuma Economic Development Corp., and Harold Vangilder, president of Sierra Vista. Mr. Fuller?

PREPARED STATEMENTS

Mr. FULLER. Mr. Chairman, Senator Domenici, thank you for the opportunity to speak. I will be brief. I have submitted my statement for the record. I just want to highlight a couple of comments.

Senator DECONCINI. They'll appear in the record.

[The statements follow:]

STATEMENT OF LEONARD L. FULLER

I appreciate the opportunity to appear before this subcommittee, on behalf of the private and public sector corporate members of Yuma Economic Development Corporation, to address the issue of United States trade relations with Mexico and its impact on job creation within Yuma County.

My name is Leonard Fuller. I am Executive Director of the Yuma Economic Development Corporation in Yuma, Arizona. With me today is Russell Jones, President of Richard L. Jones Custom Brokers in San Luis, Yuma County, Arizona.

Yuma Economic Development Corporation(YEDC) is a partnership between the public and private sectors and represents the interests of the entire Yuma County area. YEDC is dedicated to the development of primary sector employment opportunities through targeted economic growth, diversification, and capital formation. YEDC's strategy for accomplishing this objective is to attract outside companies into the area, stimulate the growth of existing firms, and to enhance the local environment to accommodate the survival of these firms.

Due to the seasonal nature of agribusiness and tourism, two of the major components of our economic base, Yuma County experiences a high level of unemployment. Our monthly average for 1986 was 21.5%, with a peak at 31.4% in July 1986. The most current figure available indicates our June, 1987 unemployment level at 26.6%.

Yuma County's future prosperity is dependent upon an adequate supply of jobs for its residents. Competition for the expansion and location of industry to foster job growth is intense and employment growth is a high priority in virtually every area of the United States and the world.

Shifting economic conditions have led to the loss of many jobs and creation of many more of a different nature in the U.S. The ever increasing movement toward a global economy where products are engineered in one country, manufactured in another and sold throughout the world at competitive prices is requiring that all companies wanting to compete and be profitable utilize the most appropriate of the global resources available. This means finding or creating the best technology, the most efficient means of production and delivery of the product to the customer at competitive prices.

Peter Drucker, in a recent Wall Street Journal article, notes that, "About one-fifth of the total capital invested in U.S. manufacturing firms is in facilities outside the U.S. In addition, similar proportion of the output of U.S. manufacturing industries is being produced offshore. Three-quarters of this output is for sale abroad and one-quarter is for export back to the U.S. to be sold in, or incorporated into goods for, the American market."

Yuma County, because of its advantageous border location, can profit from this growing global trend toward worldwide manufacturing activities. The Yuma area offers the opportunity for a firm to set up a twin plant operation or a maquiladora. Utilizing the Mexican labor force is an alternative to other offshore low cost labor resources essential to many companies in the production of a competitive product in today's market place.

The benefits accruing to Yuma from this program can be viewed from the following two perspectives:

1. Directly, there is local job creation and stimulation of the local economy from engineering, distribution, warehousing, and administrative activities for those firms being maintained on this side of the border. Additionally, there is significant sourcing of products such as components for San Luis Rio Colorado, Sonora, maquila operations.

In order to minimize inventory costs, manufactures are implementing "just in time" processes. This means that firms want their components to arrive at their docks when the components are needed for production. The only way to effectively implement this process is to have local sources. All of the major maquiladora operators in San Luis are aggressively looking for sources of supply from local U.S. vendors. This is clearly another key benefit to the U.S. and is stimulated by tariff codes 806.30 and 807.

2. Indirectly, a great deal of benefit accrues to Yuma County as the result of improving the economic health of our neighbor to the south. There is a linkage between the two communities that cannot be ignored, and when San Luis Rio Colorado experiences economic health, Yuma County also feels the effects. For example, in order to help stem the tide of illegal aliens, we must not only secure our border, but just as importantly, we must create

jobs and thus a stronger economy in Mexico. As a matter of fact, the recently passed immigration bill has a section which specifically states that in order to stem the flow of illegal aliens, jobs in Mexico must be encouraged. Mexicans who work in maquilas benefit from wages and working conditions that are typically above average. Although there is a lot of misinformation about the maquila programs, it just is not true, as some argue, that maquila operation are sweat shops and that the workers are exploited.

Just as U.S. companies are being forced to compete in the global market, so too are other countries. Although, as Drucker notes, no other major country outdoes America as a "multinational," within a few years, every single major trading country will proportionately produce as much outside its boundaries as does the U.S., if not more.

In a recent article, Henry Schickling, President of the 1,800 member of International Tool, Dye and Mold Makers union stresses that American union jobs would be lost if Congress restricts twin-plants. Companies would work for another six months, then some would go overseas. Others would close up and go out of business. Schickling notes, the main benefit of twin plants is that "we're still working."

Growth in the U.S./Mexico border economy hinges, in a great way, on the expeditious flow of goods and materials across our common border. YEDC endorses increased appropriations resulting in additional personnel to staff U.S. Customs Service offices along the southwest border. Additional funds are also needed to improve and upgrade border crossing facilities. These expenditures will contribute substantially to the overall business climate helping to simulate employment within border regions.

In closing, let me emphasize, YEDC believes that the creation of jobs is the best social program conceivable. A job provides a person with hope for the future, an increase in self worth and a legacy for their children. Actions by this subcommittee can facilitate participation in this process for people on both sides of the U.S./Mexico border.

STATEMENT OF HAROLD VANGILDER

MY NAME IS HAROLD VANGILDER. I HAVE THE PRIVILEGE OF SERVING AS THE CURRENT PRESIDENT OF THE SIERRA VISTA ECONOMIC DEVELOPMENT FOUNDATION, SIERRA VISTA, ARIZONA.

WE ARE A NON-PROFIT ARIZONA CORPORATION FORMED TO PROMOTE THE ECONOMIC EXPANSION OF SIERRA VISTA AND ITS TRADE AREA. WE BELIEVE OUR TRADE AREA IS POTENTIALLY THE WORLD. TO GIVE ACTION TO THIS BELIEF, WE APPLIED FOR A FOREIGN TRADE ZONE DESIGNATION. WE HOLD FTZ LICENSE # 139 AND ARE NOW PLANNING ITS DEVELOPMENT. ADDITIONALLY, WE ARE PROVIDING THE LEADERSHIP FOR A REGIONAL ECONOMIC DIVERSIFICATION EFFORT FOR COCHISE COUNTY. THIS EFFORT IS A JOINT VENTURE INCLUDING THE U.S. OFFICE OF ECONOMIC ADJUSTMENT, THE UNIVERSITY OF ARIZONA, VARIOUS STATE AGENCIES, VARIOUS MUNICIPAL GOVERNMENTS, AND THE MILITARY COMMUNITY AT FORT HUACHUCA.

WE BELIEVE WE ARE COMPETITIVE, AGGRESSIVE AND CAPABLE OF INFLUENCING OUR FUTURE GROWTH. IMPORTANT TO OUR GROWTH IS THE HEALTH OF THE BORDER ECONOMY. THERE ARE SOME IMPORTANT ITEMS THAT CAN ONLY BE ADDRESSED BY THE NATION GOVERNMENTS OF THE U.S. AND MEXICO. SOME OF THESE ARE:

A. INSURING THE SURVIVAL OF THE TWIN-PLANT PROGRAM. THIS PROGRAM PROVIDES JOBS TO THE CITIZENS OF EACH NATION WHICH WOULD NOT OTHERWISE EXIST. IT MUST BE KEPT!

B. FACILITATING THE TWO-WAY FLOW OF COMMERCE. CUSTOMS PROCEDURES ON EACH SIDE OF THE BORDER DIRECTLY IMPACT THE COSTS OF GOODS. BORDER CROSSINGS MUST BE INCREASED, BE OPEN LONGER, AND BE PROPERLY MANNED. CROSSINGS MUST BE PLACES WHERE HONEST CITIZENS CROSS WITHOUT FEAR, AND AT THE SAME TIME POSSESS THE TOOLS TO HALT CONTRABAND.

C. STABILIZATION OF CURRENCIES. THE EXCHANGE RATE HURTS US. IT REDUCES THE PURCHASING POWER OF THE MEXICAN SHOPPER AND REDUCES THE REVENUES OF OUR MERCHANTS. WE URGE THAT EVERYTHING POSSIBLE BE DONE TO ADDRESS THE PROBLEMS EFFECTING THE MEXICAN ECONOMY. A STRONG PESO HELPS THEM, HELPS US. NOBODY LOSES.

D. STEM THE FLOW OF NARCOTICS. IT IS TO OUR COLLECTIVE SHAME TO HAVE A SUPPLY AND DEMAND RELATIONSHIP BASED ON HUMAN FAILING. WE APPLAUD THE EFFORTS LEADING TO THE AEROSTAT BALLOON IMPLEMENTATION AND THE EFFORTS OF MEXICAN AUTHORITIES TO STEM THIS FLOW. FOR EVERY DOLLAR NOT SPENT IN THE DRUG TRADE, ANOTHER DOLLAR BECOMES AVAILABLE FOR LEGITIMATE COMMERCE.

E. ENCOURAGEMENT OF CROSS-BORDER GOVERNMENTAL ASSOCIATIONS. SUCH ASSOCIATIONS, ENCOURAGED AND PARTIALLY FUNDED FROM THE NATIONAL LEVELS PROVIDE ON-SITE, REAL-TIME MECHANISMS TO ADDRESS LOCAL ISSUES ON SUCH MATTERS AS TOURISM, CULTURAL EXCHANGES, EDUCATIONAL EXCHANGES, ETC. WE URGE THE NATIONAL GOVERNMENTS AND THE BORDER STATES TO BECOME ACTIVE CATALYSTS IN THIS PROCESS. I URGE YOUR COMMITTEE TO INCREASE ITS PRESENCE IN OUR AREA AND INCREASE ITS AWARENESS OF OUR PROBLEMS AND POTENTIAL.

MR. CHAIRMAN, IF WE HAVE TRULY ENTERED THE AGE WHERE WORLD ECONOMIES ARE INTERTWINED, THEN IT IS SURELY TRUE THAT WE MUST DEVELOP AND PROTECT OUR ECONOMIC INTERESTS ALONG OUR BORDER WITH MEXICO. THESE ACTIVITIES REQUIRE CREATIVITY, HARD WORK AND CLOSE CO-ORDINATION. WE CANNOT LET HAPPENSTANCE PREVAIL. THANK-YOU FOR THE PRIVILEGE OF APPEARING BEFORE YOU TODAY.

STATEMENT OF LEONARD FULLER

Mr. FULLER. Thank you. Yuma Economic Development Corp., is a partnership in Yuma County between the public and the private sector. We represent the entire interest of Yuma County area. We're dedicated to the development of primary, secondary employment opportunities.

Due to the seasonal nature, and I really want to point out this particular aspect of my prepared testimony; due to the seasonal nature of agri-business and tourism in Yuma County, two major components of our economic base. Yuma County experiences a high level of unemployment. Our monthly average, our monthly average for 1986 was 21.5 percent, and we peaked in July 1986 at 31.4 percent. The most current figure available indicates that our June 1987 unemployment level is at 26.6 percent. I want to put that in relation to the size of Yuma County for whoever might be reading this transcript.

Yuma County is 5,000 square miles of area, that's equal to the entire State of Conneticut. Yuma County's future prosperity is dependent upon an adequate supply of jobs for our residents.

The Yuma area offers the opportunity for a firm to set up a twin plant operation or maquila, utilizing the Mexican labor force is an alternative to other offshore low-cost labor resources essential to many companies and the production of a competitive product in today's market. And the benefits occurring to Yuma from this program can be viewed from two perspectives. Briefly, and first of all directly, there's a local job creation and stimulation of the local economy from engineering, distribution, warehousing, and administrative activities to those firms being maintained on this side of the border. And additionally, there is a significant sourcing of products such as components for San Luis, Rio Colorado, Sonora, maquilas operations.

An earlier comment was made and was brought up, I believe, by Senator DeConcini from some articles relative to what effect will automation have on the American manufacturing scene. I think that remains unknown, but I can tell you that in our efforts in Yuma County to attract new business, a business that might be expanding, two of the companies that are ready to announce in our area, have Asian operations that they are closing; it's not their total operation, a component of their overall business. They're closing those Asian operations to bring those labor intents of operations to San Luis, Rio Colorado. I think that's a healthy sign, perhaps an indication of some more impact on our high unemployment rate. To mention a company, specifically, the Virco Corp., which is one of the largest maquilas bordering Sonora and Arizona, employs almost 2,000 people in San Luis, Rio Colorado.

We have directly, in Yuma County, on their American payroll, 120 people. Those are jobs that we would not have if it was not for Virco's establishment in San Luis. The produce industry alone during that season as a group represents a group, represents a group seasonally of 500 jobs in Yuma County from that particular industry, not a particular operator.

Indirectly in Yuma County, a great deal of benefit accrues to us as a result of improving the economic health of our neighbor to the south. There's a linkage between the two communities that cannot be ignored. When San Luis, Rio Colorado, experiences economic health, Yuma County also feels the effects.

About the effects of 806, 807, 806.30 and 807. In a recent article, Henry Schickling, president of the 1,800 member international tool, dye, and mold makers union stresses that American union jobs would be lost if Congress restricts twin plants. I believe he means 806, 807.

Senator DECONCINI. I'm glad to have that reference. I need that. I need that; that's in your statement. That's very helpful.

Mr. FULLER. It is in the statement. Companies would work for another 6 months and then some would go overseas according to Mr. Schickling; others would close up and go out of business. We also note that the main benefits of twin plants is that quote, "we're still working," close quote.

Growth in the United States/Mexico border economy hinges in a great way on the expeditious flow of goods and materials across our common border.

Yuma corporation endorses your increased appropriations, resulting in additional personnel to staff U.S. Customs Service offices along the Southwest border. Additional funds are also needed to improve and upgrade border crossing facilities. These expenditures will contribute substantially to the overall business climate helping to stimulate employment with border region, within the border region.

Yuma participates and has in the very young organization known as a border trade alliance; we've been very active in that group and will continue to be. In reference to an earlier comment, also that I believe Senator DeConcini raised relative to current studies and new figures on the impact, especially perhaps retail and commercial along the Sonoran, AZ, border, I can tell you that right now the University of Arizona through Dr. Silver in the College of Business is inaugurating a new study on the Arizona, Sonora, Mexico and State of Arizona border on the impact of these dollars updating it from 1981.

Senator DECONCINI. That's helpful too.

Mr. FULLER. In closing, let me just say and I'm gonna wax philosophical, but I'm going to be very sincere when I say this, Yuma Economic Development Corp., believes that the best social program conceivable is the creation of the job. A job provides a person with hope for the future, an increase in self-worth and a legacy for their children. Actions by this subcommittee can facilitate participation in this process and in this dream for people on both sides of our shared border. Thank you.

Senator DECONCINI. Let me ask you one quick question. The Calexico border station is close enough and significant——

Mr. FULLER. Yes; it is.

Senator DECONCINI [continuing]. To the Yuma area?

Mr. FULLER. It's within a 40 minute drive and is very important.

Senator DECONCINI. It is also under consideration for major improvements in the Domenici/DeConcini proposal.

Mr. FULLER. Great.

Senator DECONCINI. I have no questions of this witness.

Senator DOMENICI. I have none. Thank you very much.

Senator DECONCINI. We will now hear testimony from Mr. Vangilder of Sierra Vista Economic Development Foundation.

STATEMENT OF HAROLD VANGILDER

Mr. VANGILDER. Yes, sir. Thank you, Senator. I will also attempt to be brief. Sierra Vista Economic Development Foundation has just recently received, and I want to thank you once again publicly for your help in having us receive our foreign trades license. We are No. 139. We are planning its development and as soon as we can get a few infrastructure put into place, we'll be holding a formal dedication which, of course, you'll be invited to.

We have tried to move out smartly in providing some leadership in our area for economic diversification. And we put together a partnership including the U.S. office of economic adjustment, University of Arizona here, various State agencies, various municipal governments within Cochise County and the military community at Fort Huachuca.

I want to bring five things to your mind that I believe is important for us in Sierra Vista and Cochise County that you could work on, I think, directly. One, of course, is to insure the survival of the twin plant program; it must not fail. It is too vital for us. In fact, our foreign trade's own license was predicated for us on two things: The twin plants or closeness to twin plant capabilities and a closeness to a border crossing which is at Naco, AZ. So it must be kept for us or else our plants for this zone is in jeopardy.

Facilitating the two-way flow of commerce. We see a lot of our components that—and warehousing in our foreign trade zone coming through Naco; and I show you concern. I've been through the Naco border crossing and that should be a whole lot better gateway into the United States than it is right now. It has to be properly manned; has to have the tools in there. And we urge that you take those steps, whatever those can be, to give the Customs folks the way to have those tools.

Stabilize our currencies. Right now the peso, I think, is at 1400 to 1 and climbing; that doesn't do the Mexican consumer any good. It doesn't do our merchants——

Senator DECONCINI. What do you suggest we do about that. I'm stymied and I don't know what to do about that.

Mr. VANGILDER. Well, sir, on that I'm afraid that I will have to tell you that I will pray you have the wisdom of Solomon to try to decide that baby.

Senator DECONCINI. Thank you.

Mr. VANGILDER. But a strong peso would help them and help us.

Senator DECONCINI. I agree.

Mr. VANGILDER. I would much prefer that the peso be like a Canadian dollar; that solves all of our problems if we could keep our economy and have that exchange rate. That would help everything.

Stemming the flow of narcotics. Every dollar, if it's not spent on contraband it's spend on commerce. We've just purchased a new home in the Sierra Vista area. We have the best view in Cochise County in the aerostat balloon, which you let out on. Next time you come there you can come to my back yard and take a look at that. We applaud your efforts in that and also applaud the efforts of the Mexican authorities as we work with you in stemming the flow of narcotics.

One of the things too, I think, you can do is encourage the development of cross border governmental associations. In fact, we have started that in Cochise County to try to come to a government association of mayors on each side of the border. We'd like to see that more formalized where there would be an actual office and chairman shift of those government committees be rotated between Mexican and American officials. It would not take a lot of money to do that. There's adequate bilingual staff available there that could be had at a good salary rate. You need a word processer and an office, that's about it.

These kinds of things will provide you with on-sight real kind of mechanisms to address local issues that are important to you, such as tourism, culture exchanges, et cetera. And I also urge your committee to continue to increase its presence down our area; becoming more familiar with an awareness of our problems and our potentials.

So once again, Mr. Chairman, if we are truely entered the age where our economies are intertwined, then it's vital that we develop and protect these interests along the border. They require creativity, hard work, close coordination and no easy answers. But if we stand ready as local communities and local organizations we will help you in any way we can. Thank you very much.

Senator DECONCINI. Mr. Vangilder, thank you very much. As you will recall, last year we were very fortunate that the chairman of this subcommittee, Senator Abdnor, held a hearing in Sierra Vista that was very helpful to the committee. We thank you for your suggestions.

If you do come up with a solution on the peso, let me know. Does the Senator have any questions?

Senator DOMENICI. No; but if he also does on the yen or anything else, let us know.

Senator DECONCINI. The record will show this letter from Senator Bingaman addressed to me, not just touching on drug interdiction, but going into detail on drug interdiction and trade issues and supporting Senator Domenici's efforts in the Santa Theresa project and others. It will be placed in the record at this time. He was invited but had other commitments that prevented his attendance, as was Senator McCain, who had other commitments and could not attend.

SUBCOMMITTEE RECESS

The subcommittee will stand at recess until tomorrow morning where we will conduct further hearings at Las Cruces, NM. Thank you very much. And again, we pay particular thanks to Mayor Doyle and the city of Nogales for their kind hospitality.

[Whereupon, at 12:30 p.m., Wednesday, August 19, the subcommittee was recessed, to reconvene at 9 a.m., Thursday, August 20.]

SOUTHWEST BORDER LAW ENFORCEMENT AND TRADE

THURSDAY, AUGUST 20, 1987

U.S. SENATE,
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE,
AND GENERAL GOVERNMENT,
COMMITTEE ON APPROPRIATIONS,
Las Cruces, NM.

The subcommittee met at 9:30 a.m., in the city council chambers, Las Cruces City Office Building, Las Cruces, NM, Hon. Dennis DeConcini (chairman) presiding.

Present: Senators DeConcini and Domenici.

NONDEPARTMENTAL WITNESSES

OPENING STATEMENT

Senator DECONCINI. Good morning, ladies and gentlemen. Today the Senate Appropriations Subcommittee on Treasury, Postal Service, and General Government is conducting a hearing in Las Cruces to expose two issues that are of a great importance to New Mexico as well as other Southwest border States. Of course, I am talking about drug trafficking, legal and illegal trade among the United States/Mexico border.

This morning we will focus on the issue of how our law enforcement agents are combating the narcotic smuggler along the New Mexico, and other parts of the Southwest border.

Then, this afternoon, we will shift our attention to the matter of the climate for trade along the United States/Mexico border, and what we can do to make that climate even better.

Even though I am chairman of the subcommittee, I am going to turn the gavel over to my friend and colleague, Senator Pete Domenici. Even though the Democrats happened to win the election last time, Pete will always be Mr. Chairman to me. I know you don't need any introduction, Pete, but I can't help indicating that my working relationship with your senior Senator from New Mexico has been exceptional. He was part of the drug caucus even before we had a drug caucus. He recognized the need to do something to stop the flow of drugs from Mexico, even before I came to the Senate 11 years ago. And when I came I thought I was going to be the new voice on the block, so to speak, but I soon realized that Senator Domenici already had a loud clear voice.

And I am pleased that I have the opportunity to serve with him on the Appropriations Committee.

I am also very satisfied and thankful to have had an opportunity to meet and work with Congressman Joe Skeen, your Congressman. He serves on the counter committee, the exact same subcommittee—on the Appropriations Committee of the House; and we work many, many times during the year on conferences together. And it is a great pleasure, Congressman, to have you join these Senate hearings today, because I know of the interest and commitment that you have made here year after year.

And, also, Governor Carruthers, we want to thank you for your leadership and the tremendous effort and commitment you have made on behalf of the State of New Mexico in dealing with this area. And, Chairman Domenici, you may have that.

Senator DOMENICI. Thank you, Mr. Chairman. I am very pleased that you have joined us here in New Mexico, and I am the first one to thank you for your kind words.

Congressman Skeen, it's just great to have you with us. And, obviously, it's a pleasure to have you with us, Governor.

Frankly, I prepared a rather lengthy summary of what we have been doing for the last few years, and what we did last year by way of specific appropriations for our war on drugs. Rather than talk about it in any great detail, let me indicate that we have an array of very superb witnesses today, many of whom are right down there at the street level fighting this war on drugs. The real purpose for the hearing is for us to learn from them. And it's a splendid opportunity to get out of Washington and come where the war is going on and to listen to those people who are trying to work together at the State, local, and Federal levels to do a better job in this ever and almost, it seems, unending fight against illegal drugs. Suffice it to say that the witnesses here today have, for the most part, submitted their testimony. We already know that we are going to hear some good things; and we are going to hear some things that are not so good about this war on crime, as far as us being able to do better than we are.

On the other hand, I am very pleased to know in advance, from looking at the testimony, that there is a great deal of coordination and cooperation in the operational planning between the county, State, and Federal law enforcement people.

I am also very pleased at the extra moneys that we have funneled into the Federal agencies. Federal intrusion in this war seems to have started to take its toll. At least there is a bit more optimism, and a little bit more assurance that we are going to begin to apprehend drug smugglers and do a little better job of controlling this very dangerous problem of illegal drugs.

PREPARED STATEMENT

With that, I am just going to put my statement in the record and yield to my friend, Congressman Joe Skeen.

[The statement follows:]

STATEMENT OF SENATOR PETE V. DOMENICI

Good morning ladies and gentlemen. We are pleased to bring the Senate Appropriations Subcommittee on Treasury, Postal Service, and General Government to New Mexico, and to the city of Las Cruces. We have a very busy schedule planned today. This morning, we will be hearing from Federal, State, and local witnesses on the subject of drug enforcement and interdiction. This afternoon, we will turn our attention to the issues related to Southwest border trade.

We are very honored to have at this hearing the chairman of the subcommittee, my good friend and the Senator from our neighbor State of Arizona, Senator Dennis DeConcini. We are also pleased to have joining us, the Governor of New Mexico, Garrey Carruthers, as well as Congressman Joe Skeen who serves as the ranking Republican of this same appropriations subcommittee in the U.S. House of Representatives.

This morning, we are going to focus on how well we are doing to combat the flow of illegal drugs coming into the United States from Mexico.

It was last April when five of my colleagues—including the chairman of this subcommittee, Senator DeConcini—and I wrote to the President to express our concerns about increased drug trafficking along the Southwest border. We called upon the President to create a Southwest border task force modeled on the highly successful south Florida drug task force.

The administration responded to that call and, last August, the Attorney General announced the initiation of Operation Alliance. Operation Alliance is a coordinated strategy to fight drug smuggling from Mexico which involves the pooling of Federal, State, and local law enforcement resources.

In the waning moments of the last Congress, we not only passed the Anti-Drug Abuse Act of 1986 but Congress provided an additional $1.7 billion in supplemental funds to attack the Nation's illegal drug problems. With those funds, a number of Federal agencies have been able to dedicate additional resources and personnel to Operation Alliance on the Southwest border.

Just as an example, the Customs Service alone has been able to provide a total of $32.5 million and 563 additional staff positions to support Alliance. This has led to additional enforcement personnel and resources being stationed in the chairman's State of Arizona, in our State of New Mexico, and other border States to halt the flow of drugs from Mexico as best we can.

In just New Mexico, Customs has assigned 43 additional personnel, including 34 new air branch positions, and 9 new criminal investigator positions to boost the total investigative field force to around 25. I understand that five of these additional criminal investigators are assigned to Albuquerque, two to Deming, and two to Las Cruces.

In addition, three primary interdiction aircraft have been added to the Albuquerque air branch, increasing the total fleet to nine.

Customs is also delivering additional new voice privacy radios to New Mexico State and local law enforcement agencies to provide a communication network to increase the coordination between Federal, State, and local officials in apprehending drug smugglers.

These are examples of what the U.S. Customs Service is doing. Additional resources have also been provided in support of Operation Alliance by the Drug Enforcement Agency [DEA]; the U.S. border patrol; the Bureau of Alcohol, Tobacco and Firearms [ATF]; the Internal Revenue Service [IRS]; and the Federal Bureau of Investigation [FBI]. In addition, more prosecutors have been provided to U.S. attorney's offices. I understand that, over the past year, all these agencies, including Customs, have sent an additional 1,500 personnel to the Southwest border as part of the fight against illegal drugs.

We are here today—1 year after the initiation of Operation Alliance—to discuss how that effort is going, and how our other narcotics law enforcement efforts are doing.

Testifying before us will be officials from Federal agencies participating in Operation Alliance and other antidrug activities.

We will also be hearing from Chief Curran, who is New Mexico's representative to Operation Alliance, along with Secretary Kemble of the New Mexico State Department of Public Safety. Following that, we will have the sheriffs of our three border counties present their views.

We have an exciting day planned. It is a busy schedule, so let's begin.

Senator DOMENICI. Perhaps, before we do that, we could ask the Governor if he would like to welcome us here.

Mr. SKEEN. I would like to be welcomed. It seems to me that that would be a very good way to do it. I don't know a finer fellow to do it than the Governor of this State.

Senator DOMENICI. This afternoon he is going to help us with the subject of economic development on the border, and he is going to testify. We hope you can be with us for a while. We think many good things are going to be put on the table with reference to our State government agencies working with our Federal Government. And we are very pleased that you could join us this morning, and we yield now to you, Governor.

Governor CARRUTHERS. Mr. Chairman, Senator Domenici, Congressman Skeen, thank you very much, and welcome to my hometown of Las Cruces. We are real pleased to have you here. As you must understand, given our Federal dependence here in New Mexico on the great investments that the Federal Government has made in our State, particularly in research and development, it's always a pleasure to deal with you who are on the Appropriations Committee, as well as we don't want to lose sight of the fact that we are very thankful to have the support. I represent the constituency of this State in this regard, when I say this particular city, and others along the border, will require a number of Federal dollars for us to seize the opportunities that exist here.

And, Senator DeConcini, I must tell you we count you as one of our own Senators. We are one of those States that has three Senators periodically because of the proximity of your State to ours, Arizona to New Mexico. And the similarity of your name to Senator Domenici—I mean, when some one asks if Senator DeConcini is from New Mexico, I have learned just to go ahead and claim you. And we are very proud to have you as our third Senator from New Mexico; and are proud to have you come.

The hearing today is very important to New Mexico and to the rest of the States. We have problems along the border, but most of them we would like to sense as opportunities. So throughout today we will discuss those.

As you see, this arsenal is a considerable problem in this part of the world and represents the kind of danger our law enforcement people are in at all times in trying to intercede in the flow of drugs across the border. It is pretty evident from looking at the weapons over here. There are many in this State, however, who feel the United States, the executive branch, and Congress, should pay more attention to our neighbor of Mexico than they have. We seem to fancy that the most interesting foreign policy is foreign policy that deals with someone thousands of miles away. And you live, and we live, next door to Mexico. We share a culture and a language. We are very proud of our heritage from Mexico. And from time to time we are sometimes somewhat disappointed that we don't do a better job in sensing problems with Mexico and working with them as a consequence.

The Governors of Texas, myself, and Arizona, and the Governor of California have reestablished the Board of Governors. This afternoon I will spell out some of the agenda items that we hope to address. And I think you will find that they are very comparable to the kinds of agenda items that you will have. As a consequence, I look forward to cooperation with Congress and the administration as we host a host of border problems.

Welcome again to Las Cruces, one of the fine cities in New Mexico. We are very pleased to have you, Senator DeConcini. We hope you stay as long as your money holds out, and we welcome you back any time.

Senator DOMENICI. Governor, we want to make sure we leave a few things up to the Senator. If he doesn't want to be the third Senator from New Mexico, we will strike that from the record. Sometimes it helps, sometimes it hurts.

Congressman Skeen, we would be delighted if you would give us some opening remarks. And I want you to know that you are welcome for the whole hearing to be a participant with us as if you were a member.

Mr. SKEEN. Thank you, sir. I appreciate that very much. I want to welcome all the folks here from the Washington scene to the Second Congressional District of New Mexico. And in doing that, I want to speak to Senator DeConcini, with whom I have worked the last several years and have come to know and admire. I appreciated the remarks that you made and appreciate the opportunity to be included in this group.

And to my colleague, Pete Domenici, of whom I could never say enough because of our long association—we ran together as a Governor-Lieutenant Governor team. Since that time we seem to be teamed up on just about everything. We both wound up on this subcommittee. He is the ranking member in the Senate with Senator DeConcini, and I am ranking member on the House side. I think that gives us pretty good coordination.

Let me speak quickly to the problem of appropriating money to Customs and other law enforcement agencies within the Federal Government. Though it is a time of financial, fiscal, and budgetary restraint, there has been little reluctance on the part of the appropriating committees to increase the appropriations to these agencies, particularly Customs. Though a revenue-generating agency, it is also an agency with an extremely important law enforcement responsibility. As a result, they have come out of the budgeting process of the last few years in pretty good shape. And we anticipate a return on that investment.

We also have a severe problem in this part of the country because, when you put the heat on drug interdiction in other border areas of the United States, the Caribbean, and Florida, southern California—it squeezes the traffic through the Southwest, particularly Arizona and New Mexico. This area has thus become very attractive. It's also one of the most difficult areas in the United States to patrol—1,950 miles of contiguous border with the country of Mexico—with restrictions on hot pursuit and many other political and international problems to deal with. It thus makes it extremely difficult for us to control ingress to this country, particularly when it comes to such substances as illegal drugs.

We hope and believe that the investment we have made in this area and the corresponding increase in equipment and technology will help to solve these problems. We also know, however, this is not the total answer. The problem is basically one of supply and demand and we must also implement and fund programs which attempt to decrease the demand for illicit drugs. I don't want to give the impression that just because we are talking here today about interdiction that we are not also interested in the other aspects of the problem.

And with that, enough has been said. I am delighted to have all of you here today. I am very much interested in this problem, as all the other people on this committee are, and I thank you for that fine welcome, Governor. It's always a pleasure to come back here. And it's always a pleasure to hear from you. It seems we are going to spend the whole day together. We have other problems in the oil and gas fields, so we are both going to be in Midland today. Thank you for your kindness and hospitality.

Senator DOMENICI. Since Senator DeConcini has asked that I preside, let me tell everyone in advance, not only those who are currently at the witness table, that we have a very full morning. We have given you some instructions about keeping your statements short, and your written statements will be made part of the record. I might have to remind you all of that from time to time. That's not intended for any purpose other than to make sure that we hear from everyone, because you have all gone to a lot of trouble to prepare to be here to tell us the problems and of the successes and the failures, and where we might do better.

STATEMENTS OF:

WILLIAM VON RAAB, COMMISSIONER OF CUSTOMS, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

STEPHEN E. HIGGINS, DIRECTOR, BUREAU OF ALCOHOL, TOBACCO AND FIREARMS, DEPARTMENT OF THE TREASURY

ACCOMPANIED BY:

WILLIAM ROSENBLATT, ASSISTANT COMMISSIONER FOR ENFORCEMENT, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

RICHARD GARNER, SPECIAL AGENT IN CHARGE, DALLAS, TX, BUREAU OF ALCOHOL, TOBACCO AND FIREARMS, DEPARTMENT OF THE TREASURY

D'WAYNE JERNIGAN, SPECIAL AGENT IN CHARGE, EL PASO, TX, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

Senator DOMENICI. With that, let me welcome the U.S. Commissioner of Customs, Commissioner von Raab. Actually I don't think anyone that works in this area, even those who have been a part of the institution of the U.S. Customs for years, can say anything but that the U.S. Customs has a staunch advocate, one who has done a fantastic job with the Congress; has presented the issues forthrightly; has been a strong advocate of strengthening his Department, keeping it professional, and most of all, of coordinating the work of his Department with local law enforcement people, all to the end of accomplishing their double mission of containing, as best possible, the serious drug problem, in terms of drugs coming into our country, and, at the same time, balancing that with their affirmative role of seeing that commerce flows between sovereign nations. I welcome you here. And, Commissioner, I understand that you have there at the table with you Steve Higgins the Director of the Bureau of Alcohol, Tobacco and Firearms. We welcome you, also, Mr. Higgins.

PREPARED STATEMENT

And if you can start, Commissioner, by giving us your remarks, then we will move on to Director Higgins. And then we will have the panel inquire.

[The statement follows:]

STATEMENT OF WILLIAM VON RAAB

It is a pleasure to appear before you Mr. Chairman in this important field hearing in Las Cruces, New Mexico. This Subcommittee has provided important support for Customs drug enforcement and commercial facilitation efforts, and I believe it is appropriate to provide you with an up-to-date status of what we have done with the resources wehave been given.

There are 150 million people, 50 million vehicles, and masses of cargo crossing each year. On a normal day, our officers, operating from 8 major and 6 smaller ports, must process some 500,000 persons and 150,000 vehicles, many loaded with all kinds of cargo. And as you all know, we just cannot take our time about it, because the business community and traveling public will not accept inordinate delays. Those are the working conditions.

At the same time, we face a growing narcotics threat along our southern border. Over 40 percent of the heroin consumed in the country is grown and smuggled across this border. Recent intelligence indicates that the smuggling of cocaine also has increased alarmingly.

Since becoming Commissioner of Customs, I have redirected much of the agency's resources to drug interdiction and other illegal activities.

The enforcement program we have been building since 1981, has certainly brought the nation a significant payoff in drugs interdicted along the border. Customs agents, inspectors, marine and air units seized 52,521 pounds of cocaine in 1986 along. In addition 692 pounds of heroin, 2,211,068 pounds of marijuana and 17,555 pounds of hashish were stopped. The magnitude of the problem is clearly evident in the amounts attempted to be smuggled. For example, in October 1986, containers with 6,900 pounds of cocaine became the largest single seizure of cocaine ever. Despite these successes, the country continues to face the threat of illegal importations of bumper crops of cocaine, marijuana and heroin.

Customs is now busy training people and procuring and deploying the equipment provided by the 1986 Omnibus Drug legislation. The Anti-Drug Abuse Act of 1986 provided Customs with $137 million dollars over and above the normal appropriation bringing Customs total FY 1987 budget to slightly over $1 billion dollars. Of this $137 million, $44 million dollars was authorized for personnel and supporting equipment and $93 million dollars for enhancing the air program.

In total, Customs has hired 996 new personnel and has purchased equipment for the marine program, including marine radar equipment for the Gulf Coast, and voice privacy radios. These funds also will be used to enhance Customs secondary inspection capabilities at ports along the Southwest border.

In light of the serious drug smuggling problem along the Southwest Border, referred to earlier, the bulk of personnel and assets provided by the Omnibus Drub Bill have been allocated to this sector of the country. These resources are augmenting the ongoing Operation Alliance, which began in June 1986. Focusing on narcotics smuggling along the Southwest Border, the operation integrates Customs, State, Local and sister Federal agencies under a joint command group consisting of senior officials from each agency. Operational leadership of Operation Alliance rotates among the agencies. Customs Southwest Region directed its activities during the initial six months.

In support of our Southwest border interdiction efforts, Customs began allocating additional resources in May of 1986, well before the announcement of Operation Alliance. I would like to list some of the enhancements we have made along the Southwest border.

OPERATION ALLIANCE ENHANCEMENTS

New Personnel

* Customs Service staffing has increased by about 1000 positions along the southwest border. Increases include 328 agents/investigators; 269 air crew personnel; 31 intelligence officers; 264 inspectors; 25 canine enforcement officers; and 30 enforcement support personnel.

* The USCS has opened a new Operation Alliance offiEl Paso, Texas. This office is staffed by the Customs Operation Alliance Coordinator and one Senior Special Agent. The purpose of this office is to coordinate all Customs participation in Operation Alliance enforcement programs with the Joint Command Group, Customs Headquarters and with Customs Southwest border enforcement offices.

New Equipment

* Twelve additional aircraft have been acquired for the southwest border, adding to the 37 already assigned; 5 more are planned.

* Two E-2C aircraft are operational in a training mode along the southwest border to detect illegal penetrations. E-2C's are fully operational and deployed from Corpus Christi, Texas.

- Three Citation aircraft will be modified and will be delivered beginning in late 1987.

- Four NOMAD aircraft for marine surveillance will be delivered beginning in February 1988.

- One P-3 aircraft will be modified with an APS-125 radar system; to be delivered 17 months after contract award.

- Five aerostats are funded for the southwest border. The Ft. Huachuca aerostate will be installed by October 1987 and be operational by December 1987. Four remaining aerostats will e located along the border and will be operational beginning in 1989.

- Six marine radars are operational on southwest border; a seventh is expected to become operational in June 1987.

- Eight radars are being installed on the Gulf Coast, and will be operational by October 1.

- All Customs enforcement officers on southwest border have been equipped with voice privacy radios; this represents 801 mobile and 590 portable radios. We are expanding the network along the southwest border to accommodate the increase in traffic.

- There are twenty-two vessels assigned to the southwest border.

Command Centers and Other Facilities

- Southwest Border Tactical Operations Center was established in Houston and implemented October 20, 1986 to coordinate drug interdiction efforts of Federal agenices as well as state and local agenices.

- An Aviation Operations Branch has been established in San Angelo, Texas, to respond to targets penetrating the Big Bend area of Texas.

- New Surveillance Support Center has been established in Corpus Christi, Texas. All P-3 and E-2 aircraft will be operationally deployed from this facility.

- Gulf Coast Command Center is under construction and is scheduled to be operational by the end of the year.

- Western C3I presently being established at Riverside, California. Initial operating capability planned for October 1987.

- EPIC has restructured its Air Smuggling Intelligence Unit to provide direct support to Customs Investigations and Inspectional field units.

Inspection Enhancements

- Inspector on-board staffing levels on the southwest border have increased from 856 to 1047 in the last year. There will be nearly 1200 inspectional personnel on-board when all are trained.

- Canine enforcement teams have icnreased by 25 along the southwest border.

- Operation Laredo concluded on April 2, 1987 and resulted in the seizure of 11,000 lbs. of marijuana, the arrest of 109 persons and the development of 85 cases.

- Passenger and vehicle intensified inspections have doubled from 5 to 10 percent since the inception of Operation Alliance.

- Special Operations designed to search vehicles moving outbound into Mexico have revealed sizeable amounts of weapons, stolen vehicles and false compartments.

- In the Pacific Region, inspectors at the Port of Otay Mesa are totaly devanning and examining 40 percent of commercial trucks coming from Mexico. At Calexico, California, 30 percent of the trucks are completely inspected.

- Improved data link with the Federal Aviation Administration to ensure private aircraft arrival information is received even before the aircraft lands. State and local law enforcemnt organizations are participating more actively in private aircraft enforcement efforts. Twenty states are now on line.

Federal Agency Cooperative Efforts

- 105 Customs agents have been cross-designated with limited Title 21 authority by DEA and approximately 70 more will be cross-designated in the near future.

- Arizona, corridor, an enforcement action between ports of entry, concluded on June 10, 1987 with no significant results. Texas concluded an operation in the Brownsville area with the seizure of 1660 pounds of cocaine.

- There was a general meeting of all field managers involved in Operation Alliance on June 18, 1987, in El Paso, Texas. This was the first meeting of all DEA, Customs, and INS, SACS, District Directors and a representative from ATF. The purpose of this meeting was to review the past year of the operation (July 1986 to present) and discuss new enforcement initiatives for fiscal 1988.

State and Local Cooperation

- Meetings have been held with practically al sheriffs/police chiefs along the southwest border.

- Advisory groups of state and local law enforcement officers have been established for Texas, Arizona, New Mexico and California.

- 399 radios are being loaned to state and local sheriffs along the southwest border, so they can communicate with Customs.

- 113 privacy code modules will be loaned to Texas Department of Public Safety to allow private communications with Customs.

- Providing state and local governments with forfeited assets for law enforcement efforts; almost $2.5 million in assets turned over to state and local law enforcement agencies on the southwest border since October 1985.

- Ongoing program to identify resources for loan to state and locals; one vessel and one aircraft are presently on loan.

Citizen Outreach

- Hotline to report drug smugglers (1-800-BE-ALERT) from Florida to California with payments up to $2,500 for tips that lead to arrests and convictions.

- Southwest border staff required to give anti-drug speeches to public groups equipped with a slide show and speakers handout kits; about 300 speeches given as of mid-April and over 30,000 kits distributed.

- A concerted effort is underway with the trade community to enhance industry sponsored anti-narcotics campaigns and to improve their practices to facilitate inspections for narcotics.

These allocations, which included an increase of 264 inspectors, are affecting the almost uncontrollable smuggling increase experienced last year. For example, at the Southwest Border ports during FY 1986, cocaine seizures were up over 250 percent from 124.4 pounds to 443.5 pounds. Similar results are being reported for FY 1987.

As part of "Blue Fire", the Customs portion of Operation Alliance, Customs has loaned radios to local and state law enforcement agencies in New Mexico, Arizona, Texas, and California so that they can communicate with us as during ongoing enforcement operations. Since state and local law enforcement agencies know their areas and have access to sources unavailable to federal agencies, these combined efforts have proven very effective against the smugglers.

In addition, to land border operations and investigations, Customs is supporting Operation Alliance with stepped-up air and marine detections and interceptions. For our Air Program, the Omnibus Drug Bill authorized two E-2C aircraft, four additional Black Hawk Helicopters, two high-speed interceptors, five aerostats, funds for modifying the C-12 aircraft with sophisticated sensors, and authorized the retrofit of the P-3 aircraft with 360 degree lookdown radar.

I can assure you that this equipment will be operating along the Southwest Border, including Arizona and New Mexico. The E-2C's give Customs effective detection along the Southwest Border. As for the aerostats, we are moving along as rapidly as possible with this development and deployment. The Fort Huachuca aerostate will be available for detecting illegal flights by November 1987, and for full operations by January, 1988. Sites for the other aerostats have been selected. While the modification of the P-3 with the APS-125 radar is on schedule, it is not expected to be ready for testing until November 1988.

We also have enhanced our marine operations along the Texas Gulf and along the Pacific Coast areas, both used by smugglers to circuvent the interdiction forces along the land border. Since early 1986, we have beefed-up our program nationally with 44 additional interceptor vessels, 19 support vessels, and 3 radar platforms. We are acquiring 20 additional vessels with Drug Bill funds. While the largest concentration of Marine Program assets is still in the Southeast, we are allocating significant new resources to support Operation Alliance.

A major enhancement of our marine operations was the establishment of the Blue Lightning Operations Command Center (BLOCC) at Miami, Florida in February, 1986. The success of this center convinced us that a network was required to support marine operations along the entire border. Therefore, a similar operation centers are to be implemented in Houston, Texas, and Gulfport, Mississippi.

In addition, Command, Control, Communications and Intelligence Centers (C3I), will integrate and enhance air and marine operations by providing real-time threat and response data for operational commanders. The information will be derived from all available sources and will be available to all Federal, State, and Local agenices involved in operational drug interdiction.

On the Commercial side of Customs operations, we also have pursued a multi-faceted strategy to reduce congestion and to move cargo more expeditiously. Initially, an indepth survey ws conducted of ongoing operations, work procedures and available facilities. As a result of the data derived from this study, we are working on proposed cooperative efforts with Mexican Customs and the trade community. For longer term solutions, we have identified serious facility and access way deficiencies. Clearly, the facilities along the border have not kept pace with the dramatic workload of increases experienced over the past decade.

In order to provide immediate relief for current problems, Customs has already implemented a series of programs for facilitating the movement of legitimate trade. Special programs, incuding line release, the Automated Commercial System (ACS) Selectivity, the Automated Broker Interface (ABI), and Centralized Examination Stations. These programs have been implemented for ports with limited inspection areas and very heavy traffic flow.

Automated Line Release, which is a new program for the Southwest Border, takes advantage of the high percentage of repeat, low risk shipments crossing the border. Using personnel computers and a bar code technology, these low risk shipments are identified at the port level and are cleared through all requirements immediately and without any lengthly processing. At this time, Automated Line Release is operating at El Paso, Nogales; and Laredo and will be implemented at Otay Mesa, Brownsville, Hidalgo later this year.

For each of these programs, Customs is planning implementation at all required locations as soon as possible. Many of the ports already are operating with on-line ACS selectivity. Centralized Examination Stations are in El Paso with expansion planned for Laredo. Additional sites will be determined in conjunction with local trade and government officials.

This completes my formal statement. My staff and I are prepared to answer questions for the Committee.

STATEMENT OF COMMISSIONER WILLIAM VON RAAB

Mr. VON RAAB. Thank you very much. Bill Rosenblatt, who is our Assistant Commissioner for Enforcement from Washington, is with me at the table. And present in the room are a number of Customs officials responsible for the enforcement of our smuggling laws in the New Mexico area.

First of all, I must say this is a particularly comforting environment for me. It's been some time now since I have faced a Republican chairman on one of these committees. And I think that's a good development, Senator Domenici.

Senator DOMENICI. Well, it's only been a short time.

Mr. VON RAAB. Although I must say that Customs' experience with Congress has been nothing short of fantastic, first under Senator Jim Abdnor's leadership and now under Senator DeConcini's leadership. We have received nothing but superb support from the Congress and Senate for our efforts, and I am always very pleased to see Congressman Skeen here, because, as he indicated, he is on our Appropriations Committee in the House, which has been as supportive.

You have asked me here today to discuss the alarming state of affairs along the Southwest border. Of course, I am referring to the flood of illegal narcotics assaulting our southern border in record numbers.

As we know, Mexico has become the leading source country for heroin, and a major transshipment country for cocaine being smuggled into the United States.

Mr. Chairman, over 1,700 additional law enforcement personnel have been sent to the Southwest theater of operation in the past 18 months. Of that 1,700, over 1,000 are Customs officers. I am happy to say that just in the New Mexico area itself we have doubled our cadre of enforcement officers.

Cocaine seizures in 1986 along the border were nearly triple what they were in 1985. And the 1987 figures, today, indicate that we may double last year's seizures. For heroin, the seizures today are over four times last year's seizures.

There is good news and bad news in this. The good news is that we are catching more drugs because we are getting better at doing our jobs. We have more resources? The bad news is, we are catching more because more is coming across.

In addition to personnel, we now have sophisticated AWACS airplanes deployed in areas above the Southwest border, scanning the skies for signs of smugglers. We also have a fleet of specialized aircraft equipped with the latest technology so we can pursue them to their landing sites and seize their loads and arrest them. We have an air base in Albuquerque that has 42 personnel and 8 fixed-wing aircraft as well as a Blackhawk helicopter, which some of you may have seen yesterday.

Our drug smugglers look for the weakest link in the enforcement chain when they plan an assault on our border. Initially our soft underbelly was in Miami. Drug-related shootouts grabbed the headlines, confirming the atmosphere of massive drug infusion in Florida. Informants, as well as increased personnel and equipment, did help to stem the tide and raise the level of risk for smugglers. The smugglers did the logical thing. They began to shift their operation to the Southwest border. They have established hundreds of clandestine landing strips in Mexico within miles of our border, from which they launch their drug flights daily, in the dead of the night.

They have set up numerous stash houses on both sides of the border to warehouse their illicit merchandise. They have turned their narcodollars into a major corrupting influence along the border. We, in the law enforcement community, have responded to the new threat. Customs has committed considerable resources. As I indicated, the Federal Government had organized Operation Alliance. I believe Alan Eliason will be testifying before you to explain that very superb working partnership of Federal law enforcement agencies with State and local police offices. Operation Alliance exists for one purpose, and that is to stop the illegal flow of drugs across our border. We do have a problem in that we sit on one side of the border, unable to deal with the criminal activity on the other side.

I have likened our situation to the U.N. forces during the Korean War in which we sat on the Yalu River watching the Chinese prepare to come across the river and being unable to cross and attack them where they were staging their assault. We have seen many casualties in this war. Supreme Court justices in Colombia have been assaulted and killed. The Customs Service itself has lost a patrol officer just recently on the Arizona border near Lukeville. And most outrageous of all, Kiki Camareno was brutally tortured to death by law enforcement/drug kingpins in Mexico. His tormentors have not yet been punished. But the major casualty in this scenario is the American people. For every pounds of cocaine that makes it into the United States, one American dies.

The American people witness this drug war being waged their neighborhoods and on their streets, and as the drug retailers market their wares, our children are threatened, and our streets are no longer safe. In many respects, our very way of life is under assault, and we are all paying the price of the drug war. The administration and Congress have committed additional resources to the fight against drugs. Law enforcement is doing its part to interdict drugs and arrest traffickers and break up criminal organizations. Our schools are starting to improve on the education of the evils of drugs. We can do more with foreign countries. In any event, we must bring all of our resources to bear on this. And I hope that history will record that we measured up. Thank you very much.

Senator DOMENICI. Thank you very much, Commissioner.

PREPARED STATEMENT

Director Higgins, we will be delighted to hear from you. If you prepared testimony, it will be made part of the record.

[The statement follows:]

STATEMENT OF STEPHEN E. HIGGINS

I welcome the opportunity to appear before you today to discuss the role of the Bureau of Alcohol, Tobacco and Firearms in the war against drug smuggling along the southwest border.

As enforcers of the Federal firearms and explosives laws, ATF is able to target major domestic and international drug smugglers and firearms traffickers. ATF recognized, early on, the increasingly dangerous link between firearms and drugs.

Big-time drug dealers and firearms traffickers support each other -- trading firearms for drugs -- and using part of the huge illicit profits from drugs to supply more and more arms -- an ever-widening circle posing a vicious threat to law-abiding people everywhere.

By focusing the firearms and explosives laws to target major criminals in both the drug and firearm underworlds, ATF weakens the chain that links these criminals together. Drug dealers cannot operate without firearms. Guns are a necessary and integral part of their deadly business.

In breaking the circle of firearms and drugs, it isn't enough to simply arrest the criminals. In every case, we seek to uncover the illicit trafficking patterns and arrest those sources who illegally supply the firearms and explosives.

Last October, an 18-month investigation in Laredo, Texas culminated with the indictment of 39 persons who smuggled over 7,500 firearms to Mexico. We have reason to suspect that this same group diverted an additional 2,000 to 3,000 firearms to the same destination. Seven of those indicted were Federal firearms licensees who paid others $10 to $100 to falsify the Form 4473s. The licensees then sold the firearms to Mexican nationals at inflated prices. Three types of weapons: the cheap handguns -- RGs and Ravens -- were sold to the Mexicans for $125 to $135, an easy $100 per gun profit; good quality handguns went for $500 to $600, a $150 to $250 profit; and assault rifles were sold for a thousand each -- double the original price.

Again in October, ATF agents arrested a licensed dealer in Texas as he attempted to deliver six machineguns and 13 silencers to ATF undercover agents. Agents seized a machinegun, a silencer and component parts for 30 more silencers at the dealer's residence. The dealer told the undercover agents of several previous firearms sales to Mexico.

In another case, ATF agents together with 70 other law enforcement officers executed 24 DEA narcotics trafficking and ATF firearms trafficking arrest warrants as a result of an ongoing investigation into a black tar heroin operation.

In December of last year, culminating a joint ATF and San Diego Narcotics Task Force investigation, Manuel Alvarez was indicted on both Federal firearms charges and for conspiracy to distribute narcotics. Alvarez, a Mexican State Judicial Police Officer, is also a member of a large narcotics trafficking group, a convicted felon and alleged enforcer for the narcotics organization.

On July 8, 1987, a Federal jury in Brownsville found Isidro Quintero Diaz, an alleged member of an international drug trafficking organization, guilty of conspiracy and providing false information to a licensed firearms dealer. The case began with tracing a firearm recovered during the execution of a narcotics search warrant. During the warrant, one of the Diaz bodyguards shot and killed a sheriff's deputy. The bodyguard also was killed. ATF's investigation revealed that Diaz is a direct cousin of Rafael Quintero, head of an international drug trafficking organization responsible for the murder of a DEA agent in Mexico. Diaz conspired to have another individual falsely sign Federal firearms records during the purchase of two assault rifles.

ATF has 26 agents along the southwest border assigned fulltime to Operation Alliance. We are presently in the process of increasing that number. Additionally, our District Offices, especially in the Southwest, have made Operation Alliance a top priority.

Our effectiveness is based on fact.

Since the beginning of Operation Alliance, we have initiated a total of 458 cases involving firearms smuggling to Mexico and armed drug traffickers. Two hundred and eighty-three cases and 362 defendants have been recommended for prosecution. We have seized over 1400 weapons and destructive devices, plus 52,256 rounds of ammunition and 20 lbs. of explosives.

Agents at our Albuquerque, New Mexico office have set an enviable record. In the past ten months, they initiated 44 cases, 27 of which involve drug dealers.

For example, on July 9 of this year, two men were arrested by the Bernalillo County Sheriff's Department as they delivered 1.1 lb. of pure cocaine. Both individuals were armed and ATF's assistance was requested. Our agents interviewed both suspects who admitted to being in the United States illegally. One of the individuals had a prior felony conviction and had subsequently been deported when he was released from prison. Both men were charged for violations of the Federal firearms laws.

In May of this year, agents from ATF, DEA and the FBI arrested three subjects. A search of their residence turned up 2 lbs. of cocaine with a street value of $45,000, three firearms and two vehicles.

On May 20, 1987, ATF, along with other Federal agents, executed a Federal search warrant at a New Mexico residence. Again cocaine and firearms were found on the premises. Four undocumented Mexican aliens were arrested.

These cases are somewhat typical of a trend that seems to be developing in New Mexico during the past three or four years. It appears that the bulk of high cocaine and heroin is being imported and distributed by Mexican nationals who are in the U.S. legally or illegally.

A vital part of our enforcement effort is our International Traffic in Arms (ITAR) program. Over 50 percent of the cases involve firearms smuggling to Mexico and other Latin American countries. Our agents estimate that over 19,000 firearms were smuggled to Mexico last year. Most of our investigations indicate that assault weapons -- those weapons you see on the table before you -- are the drug smugglers' "weapons of choice."

Before closing, I would like to mention briefly some of the more important investigative tools we use to zero in on major criminals.

We have traced over 875 firearms in Operation Alliance investigations. For the past few years, we have worked with all Latin American countries, and specifically, with Mexico, to get the information we need to conduct tracings. It is beginning to pay off. Mexico has started turning over guns seized at the border. We still need information on guns seized inside Mexico. Those firearms, generally, have a direct connection with some type of crime.

Since the mid-70's, ATF has operated the Explosives Incident System. EXIS can search the data base of over 18,500 explosives incidents for similar devices or components, the modus operandi, trends and targets. This type of data gives our investigators a head start.

The forces of organized drug and firearms traffickers are waging a not-so-secret war on the United States. By providing their illicit goods and services, they have entrenched themselves in our society. I believe we all agree that it is vital to build on our gains.

It is essential to continue the pressure on illicit drugs in all its forms.

The magnitude of the problem may sometimes appear insurmountable, but we believe targeting major drug criminals under the Federal firearms and explosives laws is working to sever the drug/firearms connection and deals a serious blow to drug trafficking.

We are convinced that the combined resources, talents, expertise and experience of all law enforcement agencies working together in a collaborative effort will, in the long view, make it too costly for drug traffickers to continue to operate.

I will be happy to answer your questions.

STATEMENT OF DIRECTOR STEPHEN E. HIGGINS

Mr. HIGGINS. Thank you, Mr. Chairman, I do. I will be very brief. I know you have got a lot of ground to cover, a lot of questions to ask.

The first thing I want to say is, as a career law enforcement official, I feel very comfortable, whether it's a Democrat or a Republican chairing the committee. They have both treated us well. Since members of both of my Appropriation Committees are present, I feel even more comfortable.

As you know, many of the statutes that we enforce are ones that actively complement the efforts of other State and local law enforcement agencies, working as part of Operation Alliance, in the Government's war against drug smugglers along the border.

Airplanes are a necessary and integral part of the drug traffickers' business. And I think nowhere is that as clear as in this geographic area. As the Governor pointed out, and as you glance at the table and see the arsenal of weapons, you have some idea of what every law enforcement officer in this part of the country or others may face as they make what otherwise would seem to be a routine stop. These are all weapons that have been taken in Operation Alliance. We have brought them as kind of a cross-reference of the kinds of weapons that are involved.

Thanks in part—in a large part to the resources provided through the efforts of your committee, Mr. Chairman, we believe we have been valuable partners in this undertaking to date. And with your continued support, we are optimistic about what will be accomplished in the future. I am accompanied by special agent in charge Dick Garner of our Dallas district office—which includes most of the State of New Mexico—who will be happy to answer any questions that you may have.

Senator DOMENICI. Senator DeConcini, do you have any questions?

Senator DECONCINI. Thank you, Mr. Chairman Mr. Higgins, are you seeing an increase in arms being smuggled from the United States into Mexico over, say, the last 24-month period, or any given period of time; or is it pretty static? What is that volume, in your judgment?

Mr. HIGGINS. That's a good question. Because of the difficulty of getting hard intelligence, it's one I am sometimes reluctant to make any definite statement on. But based on conversations with law officials in Mexico who have watched the demand and seen how well the traffickers in Mexico are now equipping themselves with American firearms, it is fair to say that there is probably an increase in guns flowing across the border in the last few years. And, obviously, what we are trying to do in Operation Alliance, is to stop that flow.

Senator DECONCINI. If that's not a classified number, can you give us a number as to how many active investigations or cases you have going with arms into Mexico?

Mr. HIGGINS. Yes; the status of cases under Operation Alliance, as an example, during the past year, we have initiated almost 500 cases. And we have seized over 1,400 weapons of all kinds.

Senator DECONCINI. Since Operation Alliance began?

Mr. HIGGINS. Yes; in one of our cases this past year, we documented over 7,500 guns that went to Mexico in a single investigation.

Senator DECONCINI. And you have concluded that one?

Mr. HIGGINS. Yes.

Senator DECONCINI. Mr. Higgins, are the arms that you confiscate from these people paid for here? These are taken from people who are involved in the drug smuggling into the United States; is that correct?

Mr. HIGGINS. There are several categories. For example, illegal aliens are coming into the country and buying firearms from the licensed dealers to take back, and they perhaps are either trading them for drugs, or to make a profit. But in Alliance we have captured those involved in drug activities of some type.

Senator DECONCINI. Do you have any information you can share with us about where these drug dealers are getting these arms that are in Mexico, now? Is the primary source the United States, Cuba or other countries?

Mr. HIGGINS. Well, our conclusion, developed through conversations with police officers and police officials in Mexico, is that the overwhelming percentage of the guns that drug traffickers have in Mexico come from the United States. They are bought from dealers who are accessible through border States. I don't want to castigate dealers in this country. A majority of the dealers are honest and don't know where these guns are going.

Senator DeConcini. Since Operation Alliance, have you seen an increase in the amount of arms, or is it just because more emphasis has been placed on them?

Mr. Higgins. I think the latter is the more accurate. Because of your support, we have been able to apply more resources down here. We've known of the problem down here; we just didn't have the resources in our agency to fight it.

Senator Domenici. Director Higgins, could you give us a few examples of areas in New Mexico where arms investigations are leading to drug smuggling operations?

Mr. Higgins. OK. We provided some in the prepared statements, and Dick Garner can tell you more about that.

Senator Domenici. Dick, could you share a few of them with us?

Mr. Garner. Yes, sir; in the last year since Operation Alliance has been in operation in the State of New Mexico, we have had approximately 100 Operation Alliance investigations. We have offices in El Paso and also Albuquerque that share the responsibility for the State of New Mexico.

Within the last year, we have taken into custody approximately 300 weapons of which, approximately, 15 to 20 percent of those have been submachine guns. These weapons are coming mainly from dealers in the major areas, for example, your Albuquerque-Santa Fe area. Some of the weapons are stolen, and we simply cannot trace those back to where they originated.

Senator Domenici. Commissioner, might I now ask a couple of questions of you. As part of the technology that we are trying to provide to you for interdiction activities, last year we authorized the establishment of additional aerostats to be placed along the Southwest border. I understand that Customs had been working with the Air Force as to the strategic locations of these. Could you, first, briefly describe this new surveillance technology and update us as to where we are on the site selection for those aerostats?

Mr. von Raab. The Customs Service, in cooperation with the Department of Defense, has been using aerostats in the Southeast for some years now. As the problem has grown on the Southwest border, one of the terrible shortcomings here has been the lack of detection of aircraft flying across the Southwest border. So, we have taken some of the lessons and technological developments from the Southeast and are prepared, once again in cooperation with the Department of Defense, to deploy those balloons, which is what they are. They are tethered balloons from which a sophisticated radar sensor is hung, and then the data is shot down to a command center on the ground. And that's what it is.

We plan to put five balloons, ultimately six, across the Southwest border. The first one is being placed in Fort Huachuca, AZ. We expect to have that operational although not necessarily operational, in November of this year.

There will be four others for which funds have already been appropriated, one of which will be placed in the Deming area of New Mexico. Another will be placed in the Yuma-Pima area of Arizona, two will be placed in Texas.

We expect that this will give us a desparately needed early warning system of aircraft illegally penetrating the United States from one of these 400 airstrips just south of our border.

Senator DOMENICI. Commissioner, with reference to air interdiction, could you or your deputy briefly talk about the resources that have been placed in the Southwest as part of the interdiction effort? And if you could, more specifically, tell us what aircraft have been assigned to the Albuquerque air branch for interdiction purposes. Also, what are the operating hours in the Southwest? Have we reached the goals that you have set in this area with reference to manpower and the ultimate objective of a certain amount of surveillance in the entire region? We would like you to do that for the record, briefly. And if there are some details that you want to supply for the record, we would be glad to fill those in by later insertion in this record.

Mr. ROSENBLATT. I will be glad to, Senator. Throughout the Southwest, we have a number of aircraft, and I would like to enumerate, if I may, by location. Over in our Houston area, we have seven interceptor and apprehension aircraft. In Corpus Christi, which is our surveillance support center, we have the four P-3's and the two E-2C's. We have, in San Angelo, which will be opened and completely staffed in September, eight intercept-trackers and apprehension aircraft. Specifically, in Albuquerque, we have one Piper Cheyenne aircraft, which is a tracking aircraft. We also have a King-Air tracking aircraft, and a Blackhawk. We also have two twin-engine aircraft that are partially modified and serve as support aircraft. And we have a couple of single-engine aircraft.

As the Commissioner has already indicated, we have a staffing level of 48 personnel; 42 on board right now.

We also have 13 aircraft in Tucson and 11 aircraft in San Antonio. The bulk of our fleet of approximately 90 aircraft is located on the Southwest border.

We are currently operating in these locations on a modified 7 by 16 schedule. By the end of September, we will have sufficient personnel on board. Many of them are in the pipeline.

Mr. VON RAAB. Could you explain 7 by 16.

Mr. ROSENBLATT. Oh, 7 by 16 is, 7 days a week, 16 hours each day. That will be fully implemented by the end of September.

Senator DOMENICI. Thank you very much. Commissioner von Raab, let me ask you a general kind of statement. We have been touching, yesterday and today, on the substantial new assets that we have been giving to Customs, and to other agencies involved in this particular area of drug interdiction. We have been talking about new technology and the new manpower. Can you tell us, as the chief executive of this operation, in ways that we might understand and that our people might understand, giving us some way of estimating whether it's working, is it succeeding? And, then, also give us your assessment of how those who are bent on bringing drugs into this country, are going to respond to you and your sister agencies having more capacity, both manpower and technologically. What are they going to do, as you see it? First, are we succeeding, and give us some ideas on how you judge that.

Mr. VON RAAB. That's the $64 question. There are a number of aspects to the drug war, but, interdiction, for which I am responsible, is one of the critical pieces. The interdiction effort has vastly improved over the past 5 years. I would venture to say that when using one of the standard measuring techniques, which is seizures, we are doing 10 times better than we were 5 years ago.

Of course, we have to balance that against the threat. If we take our interdiction performance and measure it against the threat, my guess is that you would find that we are probably holding our own, or have improved our edge somewhat.

The reasons that we have improved or, at least, are holding our own against the threat, is that the threat has gone up many times more. The improved performance of the interdiction effort has to do with, first, much better cooperation among the Federal agencies, so that our resources now are much more efficiently and effectively applied to this problem. Operation Alliance is a very good example of that, providing a much closer working relationship between the Federal agencies and the State and local agencies. It is my personal opinion—and it is a part of the dogma of the Customs Service—that although the Federal Government may bear the primary responsibility for interdiction, it is the State and local sheriff's departments and police departments who have the major expertise and ability to carry on the war. So, we carry the primary responsibility. We are responsible for the support, but we really must emphasize the critical role that State and local police departments and sheriff's departments play. Therefore, it's essential that we work very closely with them.

Resources have gone up, and that's extremely important. So, as I have said, we are winning the battles, but I am not sure we are winning the war. The reason we are not winning the war is that the production from outside the United States is outstripping our troops' ability to deal with it. For purposes of illustrating this point, if you could imagine a situation in World War II in which the Germans were able to produce Messerschmidts as fast we could knock them down. As good as our pilots might be, as long as they can keep throwing dope at us, we have a long way to go. There is a critical aspect of this war, and that is what to do with the performance of the countries in which the narcotics is produced and from which they are shipped to the United States. However, I am extremely comfortable with our performance.

As far as setting up a standard or a way to evaluate the performance of interdiction, I prefer to use a technique that assesses the risks that the smugglers must take today versus those that they took 2 years ago, or 5 years ago. Smugglers are doing things today that they did not want to do 5 years ago. They are taking much greater risks. They are exposing themselves to much greater chances of failure. And as we say in law enforcement, they are starting to move toward the ragged edge of the kind of practices and procedures they can use to get the drugs in.

Ultimately, I hope that we will push them so far to the ragged edge that it will no longer be a commercially viable proposition to smuggle into the United States. We are a long way from there, but we are moving along that path very nicely. So I would say that we are succeeding, but we have a much, much bigger snowball we are pushing in front of us than I think we might have imagined 5 years ago.

Senator DOMENICI. Thank you very much. Each of your local witnesses will obviously share their views on how well the Alliance is working. Months ago, Senator DeConcini joined five of us and wrote the President to ask that some kind of coordinated effort be put in place. Shortly thereafter Alliance as a notion came out of the Department of Justice. And, now, we know about its history. It's moving. Obviously, we hope it gets more and more successful each year. But, from an operational standpoint, as one of those Federal agencies that ought to be better coordinated with local enforcement as a result of Alliance, could you give us a quick assessment, Director Higgins. Is it working? Is it worthwhile? And what suggestions do you have about improving it?

Mr. HIGGINS. I share Commissioner von Raab's optimism. In ATF, we have to work cooperatively with other people. And Operation Alliance is like a number of other programs where we have an opportunity to do that, to use our firearm and explosives statute to go after people who may not otherwise be vulnerable in drug activities. From that standpoint, I think it works well. And I think, that State and local agencies have been very, very cooperative. And that's what we depend on in our relationships.

To the bigger questions, is it working and what else should be done. I think all of us wish we had the right answer. We have kind of approached it from the standpoint that just because we can't solve all the problems, it doesn't mean we shouldn't solve parts of the problem that we can. We have gone after that that way. We think it is working. We have tried to provide suggestions through the mechanism of Operation Alliance, through the coordinating group, and we have found them to be very receptive. From our standpoint, we are pleased, but there is much to be done.

Senator DOMENICI. Congressman Skeen, do you have some questions?

Mr. SKEEN. Thank you, Senator Domenici. Commissioner von Raab, we have had discussions many times about the interdiction problem. And part of the hearing today deals with how we stop the inflow. One of the problems in this area is our relationship with Mexico and the fact that we must rely on the cooperation of Mexico in our efforts. I think that the response to the Camareno situation showed insight. I know we didn't like having the border closed, but I really understand why it was necessary. And it was justified.

Are we making any progress, for instance, in our relationship with Mexico, in garnering any kind of coordinated effort in solving this problem, since this is the country from which we are receiving a great deal of inflow.

The other thing is pursuit. We are restricted in Mexican air space from doing pursuit. What kind of progress are we making in these areas at a diplomatic level?

Mr. VON RAAB. There has always been one-on-one cooperation between individual law enforcement officers in the United States and individual law enforcement officers in Mexico on a particular case. That level of cooperation has always existed between Mexico and the United States, and that level of cooperation continues. Apart from that type of cooperation, I have not received any reports from any of the Customs officers, or any of the sheriffs or police chiefs with whom I work very closely along the border, of any improvement in cooperation by the Mexican law enforcement authorities. So the answer is, there has been no improvement. And there is no noticeable institutional cooperation between Mexican law enforcement authorities—and I make this clear—and Customs officers or sheriffs or police department chiefs with whom I have spoken.

You are going to have some representatives from the Department of Justice here. They can speak for themselves. I remain extremely cynical about the posture of Mexican law enforcement and its willingness to support a cooperative effort on the border. Formalistically, there continues to be good discussions with higher-level Mexican officials.

I am the eternal optimist. I hope that those high-level discussions will produce something that will be of value to the officers in the Customs Service. It hasn't happened yet. In anything you read from the public statements of senior officials from Mexico, you will see that they do continue to carp on the fact that this is a U.S. problem caused by drug abuse in the United States. They do not seem to be willing to discuss the responsibility of producers or transshipping countries to address those problems. So, I hope that will change.

As far as the plans to overfly the border are concerned, there is an offer that has been on the table before the Mexican Ministry of Foreign Affairs now for 3 to 4 years. The plan is, or would be, to have the United States fly the planes—with Mexican officers on board—and place them under United States air control within the United States and relay data to the United States in the United States. The planes would be permitted into Mexico and turned over to Mexican air control and any enforcement actions would be taken by Mexican officials. That proposal continues to be greeted by the now all-to-familiar lectures on sovereignty that our officials receive. So that proposal has not moved at all.

I would point out that another country with whom we work has accepted these joint enforcement efforts, and that is in the Bahamas. It has helped a lot. It's hurt here because our successes in the Bahamas have caused some of these drugs to be pushed to the Southwest. But it does show that a country can realize the true magnitude of the drug problem and work very closely with our law enforcement officials there.

I really have a concern that we have not done enough. I know we have tried. The initiatives are there, but the response and progress in this cooperative area with high-level officials has been lacking. I know it's not in the purview of your responsibility, but it would be immensely helpful in this project if we could get that kind of cooperative effort going between our two countries. It is a parallel problem with both countries. It's a Mexican problem, as well as on in the United States. And I think it's time we try to impose or impress on our good neighbors in Mexico that it is their problem as well as ours. I think—of course, this is my own opinion—but as we go along developing the twin plants and other kinds of economic measures that we have, we ought to impress more and more that as we are trying to help them with their problems, they need to help us with our problem.

Mr. SKEEN. One question of Mr. Higgins. We have heard about plastic firearms, handguns, and so forth—these nondetectable firearms. How serious a problem are these?

Mr. HIGGINS. I think we are at the beginning edge of it. Most of the weapons—all of the weapons we have examined at this point can be picked up by properly trained security personnel. Whether they are picking them up on a magnetometer or through an x-ray machine, if they are properly trained with proper equipment they can detect them. Plastic is a tag that has been hung on them because of the Glock pistol, which was largely plastic, but it still has a large amount of metal in it; so, it was easily detected. I think the problem is—and the one we need to be prepared for—that there seems to be a move in the direction of producing weapons that may, in fact, not be detectable with existing technology, either x ray or magnetometers. We should be prepared to respond to that when it happens.

One way is to further develop detection devices. Another way is to introduce legislation to set standards of how to do it. The administration's position has really been not to interfere with legitimate firearms owners, but still there is a concern about the safety of the traveling public, and also, with the security of the President and other officials. We are trying to balance that. We are working on that.

Mr. SKEEN. We are still a nation of firearm enthusiasts, and for legitimate reasons. But it's a tough line to have to toe.

Let me ask one last question insofar as technology is concerned. We have a particular interest in New Mexico with the project involving radar along the border. At Los Alamos technology is being developed which we have talked to your agency about and received some enthusiastic response. This is the Toto project, a remote radar sensing system which has been developed primarily for weather forecasting. It has shown some potential in this area also, however. We put some more money in it in the last fiscal year—in fiscal year 1987—what's the progress in this area?

Mr. Rosenblatt. The funds were provided to the laboratory to do the development in May 1987. We have a completed design and project package to include some major milestones. I will be glad to present them here or for the record.

Mr. Skeen. Just put them in the record. I would appreciate that.

Mr. Rosenblatt. OK, we will be glad to do that. We look for the operational testing of this in October 1988, Congressman. I think we are well on our way with this project, thanks to the funding that was provided.

Mr. Skeen. We appreciate the report, and we appreciate the progress. Thank you, Mr. Chairman.

Senator Domenici. Thank you very much, Governor. You handed me a note and said you would like to ask a question or two.

Governor Carruthers. I have always wanted to be a member of the Congress. I thought I would take this opportunity.

Mr. Skeen. I always wanted to be Governor. Maybe we could change.

Senator Domenici. You tried hard enough, Congressman Skeen.

Governor Carruthers. I used to sit on that side of the desk and respond on behalf of the Reagan administration, so I am eager to ask one question as a member of Congress. Basically, in my perspective as Governor of the State, I would like reflection from the Federal officials as to the sufficiency of State law in dealing with questions of drug trafficking in the State. Do we have the kind of State law that supports you? I was talking with Bill Branon of the FBI. He has made a special request several times to become peace officers—to have the FBI identified as peace officers in the State of New Mexico, which we hope to have accomplished in the upcoming legislature. Is it going to help us in New Mexico and will it be of assistance to you?

Mr. von Raab. Customs officers are peace officers in all of the 50 States. Customs officials are by Federal law peace officers in all of the 50 States. So, in that sense, it would be a nice, symbolic gesture on the part of the State legislature, but not necessary as a matter of law. One of the bills passed, I think it was in the 1984 drug bill, made Customs officers peace officers in all the States.

If it would be agreeable with you, Governor, D'Wayne Jernigan, who is our special agent in charge, responsible for New Mexico, could probably comment on his views of State law better than I could, in terms of the narcotics threat. And if he could come up here, he could answer that question

Senator Domenici. Why don't you do that, Mr. Jernigan.

Mr. Rosenblatt. I will add this, I am not completely familiar with the liability issue from a standpoint of State law. I believe that somebody could easily file a suit in State court and, then, what we would have to do is try to get that suit into Federal court so we could use the law that the Commissioner just made reference to.

Senator Domenici. Did you hear the question?

Mr. JERNIGAN. Yes, sir; as to the benefit of State laws to Customs officers.

Governor CARRUTHERS. No; the question is, what is the sufficiency of State law, New Mexico State law, in helping you in your duties?

Senator DOMENICI. Would you identify yourself for the record, please.

Mr. JERNIGAN. My name is D'Wayne Jernigan, special agent in charge for U.S. Customs out of El Paso, TX.

It had been of benefit to us to be able to work with the State and local governments where they have adopted seizures that we have made. Many times they have been able to adopt our seizures and move forward for prosecution in cooperative ventures with us. They were able to benefit from our efforts as well as their own efforts in forfeiting the proceeds of the seizures and using them for the county, the city, the State offices, to assist them in their investigations within the State.

Senator DOMENICI. So, your answer to the Governor is, you have no specific recommendation for him with reference to the inadequacy in our laws at the State level that might be corrected to make your job more efficient and effective.

Mr. JERNIGAN. No.

Governor CARRUTHERS. I would like to have one followup question. I would like the professional judgment of the Federal establishment with regard to a problem that surfaces from time to time, in regard to making drug trafficking, under certain conditions, a capital crime.

Mr. VON RAAB. You are talking to a Federal official who believes that there is no penalty strong enough for drug trafficking. It's my personal feeling that the punishment meted out to drug traffickers and drug smugglers is not severe enough. They are improving a lot. I mean, the improvement in the Federal judiciary, for example, in this administration, has resulted in a lot tougher penalties being meted out.

I personally think that for some of the activities involved in drug trafficking it would be good to have as a capital crime. The only problem, of course, is that you often have a situation in which your judges, then, duck the issue of a capital crime. The result is, basically, pleading out to lesser charges. You just have to make sure that in making it a capital crime you don't drive people away from some of these prosecutions. However, I think that as a sign of the American people's anger and resolve, having it be a capital crime is very useful. I also believe it is a proper punishment for these activities.

Governor CARRUTHERS. Thank you. Director Higgins?

Mr. HIGGINS. I do not disagree with what Commissioner von Raab has said. From a personal standpoint, I would also be satisfied that some of the penalties having to do with the Firearms Control Act, which Congress has enacted with mandatory enhanced penalties, be enforced. If penalties were just enforced under existing statutes, we would be a lot happier.

Governor CARRUTHERS. Thank you. Mr. Commissioner, I was startled with your statistic of, for every 150 pounds that comes in, it is equal to one death.

Mr. von Raab. We in the Federal regulatory agencies are reluctant to come out with statistics, because you need an army of analysts before you do them. But, if you take a simple calculation of the drugs that were consumed in the United States—cocaine in this case—and divide by those individuals who died because of consuming those drugs—and I am not including your drugstore murders or people killed on the road because someone was under the influence of drugs—you will find out that, given the consumption of cocaine and the number of Americans that died for every 150 pounds of cocaine consumed in this country, one American died. I always use this as an example to show that drug smuggling is a terrorist system. It is no different than importing plastic explosives into the United States. It's more important to me, because people tend to become complacent as far as drug smugglers are concerned, and regard it as a social evil rather than a terrorist act. But if you think of drugs in terms of a device about to go off and kill people, I think you get a better perspective on it. And that's why I use the 150 pound statistic.

Senator DeConcini. Senator Domenici, let me ask the Commissioner, while we have such a forward-looking, aggressive Governor with us today, if he has had any contact with the State Guard units in any of these States, to coordinate any efforts with them? A lot of them have helicopters, and some of them have radar. They have training missions and what-have-you. I wonder if any of that has been pursued by Customs.

Mr. von Raab. The problem with Guard units—and I am not speaking about New Mexico here, but I can only speak in terms of the general use of Guard units—is that you run into the problem of who is going to pay for the National Guard's costs. I don't want to put the Governor on the spot here, but a lot of Governors have felt that it is not a good idea to have the State pay for the use of National Guard units involved in Federal drug efforts.

Three years ago Congressman English had some hearings on that, and we had the head of the Guard who testified in favor of this.

Senator DeConcini. And they seemed interested in doing this?

Mr. von Raab. They were, but it became an issue of who pays. There is a similar exercise underway in which the Customs Service has been working very, very closely with the Civil Air Patrol [CAP], which is an auxiliary of the Air Force. We have been training Civil Air Patrol pilots in drug interdiction spotting, and we have actually completed training for over 700 CAP pilots.

Senator DeConcini. Well, that was, of course, the Harkins bill for $7.5 million.

Mr. von Raab. Yes; as a matter of fact, Senator Harkins has flown as a CAP pilot for Customs. And I understand that there is a plan to put Customs radios in a lot of the Civil Air Patrol planes. So this is a good example of the kind of usefulness and cooperation between National Guard types of organizations and the Customs Service.

Senator DECONCINI. Thank you, Mr. Chairman.

Senator DOMENICI. Thank you very much. Commissioner, I understand you are going to have to leave us for a visit to another institution. We want to thank you publicly for all you have done with reference to the border problems and, in particular, for your cooperation with reference to problems that relate to New Mexico.

I understand that you won't be with us the rest of the day, but we do want to thank you again on behalf of the committee and personally on behalf of our State for all the help you have been to us and how effective you have been in the area of leading our U.S. Customs Service.

Mr. VON RAAB. Thank you very much, Senator. If I might respond subsequently to the Governor's questions on some of the legislation, although this doesn't affect the Customs Service directly. I understand that when there is a forfeiture underway, some of your sheriffs, police chiefs, et cetera—and you may hear from them on this point—feel that the forfeiture process itself could be streamlined. That would result in getting a lot of the forfeited assets into the hands of the law enforcement personnel who use them, more quickly and a little more easily. So, that's a paid advertisement.

Thank you all very much.

STATEMENTS OF:
WILLIAM L. LUTZ, U.S. ATTORNEY, DISTRICT OF NEW MEXICO
DOUGLAS DRIGGERS, DISTRICT ATTORNEY, THIRD JUDICIAL DISTRICT, STATE OF NEW MEXICO

PREPARED STATEMENT

Senator DOMENICI. Could we have the next panel, the U.S. attorney. We are going to take the U.S. attorney, William Lutz, individually. Would you share your testimony with us, and introduce whomever you have with you.

[The statement follows:]

STATEMENT OF WILLIAM L. LUTZ

Mr. Chairman, Senator Domenici, I appreciate the opportunity to discuss drug interdiction efforts in the State of New Mexico. Since my first appearance before this subcommittee on September 5, 1984, in Las Cruces, many significant changes have taken place. In 1984 we had only six persons assigned to the Customs Air Wing in New Mexico. That was our entire drug interdiction effort. Our office was assisting the New Mexico State Police with a number of operation pipeline prosecutions. Cocaine was being transported through New Mexico from the southeast to the west coast. In my prior testimony I expressed concern that the federal government should be quick to react as drug importation patterns changed. In three years those patterns on our southern border have changed dramatically.

As a result of the pressure brought in the southeast, importation patterns on our southern border have changed. The amount of marijuana crossing our southern border has increased dramatically. Large amounts of cocaine are now coming from Mexico, something which did not happen three years ago. On July 13, 1985, the Border Patrol seized 265 pounds of cocaine. This was the first large seizure in New Mexico of cocaine which was imported from Mexico. This was the first of several cases. In addition, 273 pounds of cocaine were seized in El Paso, Texas, as a part of this case. In 1986 near Hobbs, New Mexico, we had two large seizures, both by the same two State Police officers. The first seizure occurred on April 17, 1986, resulting in seizure of approximately 435 pounds. This case also resulted in the seizure of 365 pounds of cocaine and 1.46 million dollars cash in Los Angeles. The second seizure, which to date is the largest single seizure in the state, was 1188 pounds.

In 1984 our office had already experienced a 50 percent increase in criminal caseload since I was appointed in early 1982. Yet that increase became insignificant in comparison to what we were to face. From 1985 to the present, our criminal caseload has increased 91 percent.

Cases Indicted

Date of grant jury	Number of indictments year to date
August 4, 1987	310
August 12, 1986	251
August 6, 1985	162

To date our office has indicted 41 percent more drug cases than were indicted in all of 1986. Between 20 and 25 percent of our criminal cases occurred in the southern part of the state. For the most part, this was done without the increased resources of Operation Alliance, since these new people are just now becoming productive. This is a credit to the assistant United States Attorneys and the support staff of the office. They have worked long hours to insure that the office addresses this serious problem.

Operation Alliance has caused a significant increase in resources available to battle interdiction. Customs Air Wings has substantially increased its presence in Albuquerque. This allows us to intercept aircraft rather than chase them. We now have a number of Customs agents assigned to New Mexico. Many have been cross-designated by DEA. One of the most effective changes brought on by Operation Alliance has been cross-designation of the Border Patrol for both Title 18 and 21 cases.

Our office has received five assistants as a result of Operation Alliance. We have been able to create a unit to prosecute drugs, immigration and gun cases. This unit consists of eight attorneys.

In the interdiction of drugs along our southern border, one item has not changed. This is the importance of cooperation of federal, state and local law enforcement. Without the excellent cooperation that exists, our interdiction efforts would fail. As the committee is aware, there is not even a fence along the Mexican border in many places in New Mexico. Chief Neil Curran of the New Mexico State Police is our representative on the joint command group. He is but one representative of the many fine law enforcement officers in New Mexico who are helping to make Operation Alliance a success.

One example of the cooperation taking place is in Las Cruces. With the great increase in drug cases, the DEA at times has not had enough agents to handle the cases being initiated. Las Cruces Metro Narcotics agreed to assist with arrests and filing of complaints in federal court. Thus, no cases were declined because of a lack of investigative resources.

The additional equipment and resources coming available in the future are important to the success of Operation Alliance. Our border is very isolated. The valleys into Mexico are protected by mountains. Airborne radar is very important. Also, we must have aircraft of sufficient speed to intercept and track air smugglers.

As a result of increased enforcements on the southern border, we are identifying smuggling groups previously unidentified. It is important to give the DEA sufficient resources to do the follow-up investigations so that we can prosecute both buyer and seller, not just the "mules."

The increased caseload has not affected just our office and the investigative agencies. It also affects the Marshals Service and the judiciary. The Marshals Service has faced an increased burden in housing and transporting prisoners. We have exceeded our authorization of house prisoners in southern New Mexico. The judiciary has faced the increase in cases with no new judges. The Department of Justice is working on proposals to solve these problems. I hope the committee will be receptive to these proposals. Our ability to prosecute successfully is dependent upon having judges who have adequate time to determine the case, as well as having places to incarcerate the prisoners.

I would like to thank the committee for the increased resources to combat illegal drug importation While we have much to do, we are having an effect. This is shown by the fact that Columbian drug cartels are now using Mexico. Had there not been increased pressure in Florida, there would have been no change in patterns of importation. I appreciate the opportunity to appear before the committee and will be glad to answer any questions you have.

STATEMENT OF WILLIAM L. LUTZ

Mr. LUTZ. Senators—Senator Domenici and Senator DeConcini—and Congressman Skeen, and Governor. First, I would like to introduce Douglas Driggers who is the district attorney for the third judicial district for the State of New Mexico. I think it might be appropriate to also have with me a member of the prosecutors in the State, because I think it will also give the committee a local perspective, because this is just not a national problem or a local problem, it's everybody's problem. I would also like to depart from my prepared statement—I think that's in the record—and just briefly summarize some events that have arisen since my statement was prepared. As the committee is probably aware, last Wednesday night at the U.S. border patrol checkpoint west of Las Cruces, 1,997 pounds, gross weight, of cocaine was seized. Two people have been charged in Federal court with transporting this cocaine from the El Paso, TX, area to the Los Angeles area. I think what is so significant about this case, basically, is when the cocaine was discovered, it operated as we hoped an Operation Alliance case would.

The U.S. border patrol seized it very promptly. The DEA responded. Not only did they respond with the Las Cruces office, but they sent additional personnel from their Albuquerque office because of the size of the seizure. The Metro-narcotics squad here in Las Cruces, and the New Mexico State Police graciously assisted us in the followup investigation. And I think this points out what has become important about Alliance. I think in the past one of the things that we faced is simply a lack of manpower for interdiction efforts. I think we have been successful in drug efforts otherwise. The Colombians would not have come to Mexico and started bringing the large quantities through Mexico if it was so easy to bring it into the Southeast as it has been in the past.

By bringing the border patrol into it, that increases the number of people involved in interdiction in this area. They are the ones on the remote airways of the border where these drugs are coming across. And I think that's a very important part of the Alliance. I think that the cross-designation between the DEA, Customs, border patrol, and the other agencies involved is essential. Many times in the past we have created artificial boundaries as far as drug investigation. And I think this cross-designation and the effort to work together have been very important, because the only thing that the jurisdictional disputes have done is to help the drug dealers we are fighting while they are importing the drugs. I think that's behind us.

I think, also, this case shows the importance of State and Federal cooperation. Simply, we can't do our job in New Mexico alone. And I guess one of the things that really bothers me, and we hear it from sources all along the border, not just here in New Mexico, is why are we having a State case, if the State police say it is a Federal problem, or a county sheriff says it is? As I told our judges here, this is a national problem. And I think this is something we have to get over. The fact is, it's everybody's problem. We can't just say, "Well, it's a Federal problem," "that's the U.S. attorney's problem," or "that's the DEA's problem, or Customs' problem," or from us saying, "Well, that's a State problem, that's a street dealer, we don't need to be worried about it." And I think Alliance is helping to break down those areas.

One other thing that I think I would like to emphasize that has not. been emphasized is the importance of the individual agent in the field and the assistant U.S. attorney. The agent on the Federal level and, also, on the State level, many times are working around the clock on these cases when they arise at no small danger to themselves. We have had several State policemen in the last several years killed in the course of routine traffic stops. We have also had many drugs seized, along with machine guns and automatic weapons seized. The officers who make these stops are the ones that are really on the firing line and taking the risks. They are the ones. I think that the committee should be concerned about whether they have the resources and the equipment—that they are given what they need—because they are the ones that take the risks.

The agents and our assistants in the office have faced a tremendous increase, in New Mexico, and have handled it without complaining. The DEA has only two agents in Las Cruces. Frankly, they are inundated. The problem you face in a small agency, as many of our district agencies are, is if you draw the personnel from Los Angeles, for example, down to somewhere else, you are not going to be able to handle a significant case that probably ought to be done elsewhere. It's a hard situation, bouncing resources around. I think they have done an excellent job of responding. And I think they need to be commended for it. As you see in the statistics, our caseload has doubled in the last 2 years since this committee last came to Las Cruces. We appreciate the support that we have gotten from Congress, because we have received much needed resources. I hope we will use them in a manner that Congress desires them to be used.

One thing I would like to mention is the Governor's question on the designation of Federal law enforcement as State police officers. New Mexico is one of the few States that does not have such a designation. The last time I checked there were only four. That bill passed the legislature in a prior administration only to be vetoed by the Governor. I think the importance comes in in the area of Indian country and checkerboard areas where jurisdiction is extremely confused as to whether it's a State or Federal area. Many times we have to hire a surveyor to figure out if a case is to be prosecuted in a State or Federal court. Those officers are only allowed to enforce Federal law.

Of course, in a drug area, we have initial jurisdiction in the area of State crimes only. If it occurs in Indian country, it brings particular pressure on the agent to worry about whether they are working within the scope of their authority. I would hope the State of New Mexico would consider the passage of that bill, because many times we call on the States for assistance, and the State calls on us for assistance. And I think we ought to have the attitude of working together. For practical purposes in the field, we do already.

That's the end of our housekeeping. We would be glad to answer questions.

Senator DOMENICI. Mr. Driggers, do you have some brief remarks? Would you like to add anything?

Mr. DRIGGERS. Mr. Chairman, just briefly. I know as a lawyer you tend to talk longer than you are supposed to and you lose your audience. I appreciate the opportunity to be in here talking with the panel—Representative Skeen, and Governor Carruthers, too, and Senator DeConcini and, of course, Mr. Chairman.

Briefly, we as district attorneys—and I am the representative for the 14 district attorneys that are in office in the State of New Mexico. As their official representative, I am here to request that we receive additional funding so that we can do our jobs as State prosecutors. I know Mr. Lutz received five additional U.S. attorneys, which were sorely needed, but the plan did not call for increased assistance or funding for State prosecutors. That has not deterred my office from assisting Mr. Lutz. And I am overwhelmed and pleased with the cooperation, not only among the Federal agencies, but between Federal, State, and local agencies. We have put it together. And I think because of Operation Alliance, my caseload has increased tremendously as a State prosecutor. As the Federal Government goes, with the resources of the Federal Government, better cases are made because of better resources and more personnel. We take what we can receive as State prosecutors, and we are pleased to do so. I am committed, as the former members of the first panel stated, to doing everything I can within my power to put drug traffickers in jail, in prison for as long as we possibly can. We have adequate State laws, but we need resources to put those people in jail. And we need judges who will have the force of will to put people in the penitentiary.

And I also suggest to this panel that we consider the courts. There were no, to my knowledge, additional resources made available for the Federal courts to handle the influx of cases. The caseload increased, the investigations and the cases made, the drug traffickers apprehended has gone up in accordance with my prediction—there's been a tremendous increase. You have more professional people as investigators in law enforcement, and then you have a sudden upsurge in the prosecution end.

And I think it's important and critical that the panel, as well as the State government, recognize that if we are going to accomplish this goal that we need the additional resources in that area. And I am not saying take them from another area, because it's all critical. And the law enforcement area, of course, is important. Without them, we can't make a case. And that's all I have to say. Thank you.

Senator DOMENICI. Thank you, Mr. Lutz. I think it was an excellent idea to bring one of your State counterparts, and we are delighted that he joined you here.

Let me ask you, how long does it take to prosecute an average drug case in your jurisdiction?

Mr. LUTZ. With certain exceptions, because every case is different, we are getting them to trial usually within 90 days after arrest, 90 to 120 days. The appeals are taking approximately 1 year from the filing of the notice of appeal to decision. Frankly, the 10th circuit, with the increase in personnel recently, is doing much better than they have in the past. They probably just about halved the time that a criminal appeal takes to get through the appeal process. And part of that, I think, is that the judges are working long hours. I think we are beginning to see some fraying around the edges. Frankly, here in New Mexico, as the Senator is aware, we have been shorthanded. Our senior judges do not handle criminal cases, so we have, basically, three judges handling all of these cases. They have been given a priority, and what is happening is, basically, the civil cases are being left to languish, except for what the senior judges are doing. Each judge, probably, is spending only about one-half of the year on civil cases.

Senator DOMENICI. In your opinion, we need additional Federal judges in New Mexico?

Mr. LUTZ. I think, honestly, we do. The criminal caseload takes more of a judge's time, because many of the civil motions can be decided by written briefs without oral argument. In drug cases, in practically every case, you have a suppression hearing—I don't care if it's a hand-to-hand buy, they manage to dream up some sort of suppression issue. Those can rarely be decided without an oral motion and hearing. And while our criminal caseload probably accounts for one-fourth to one-third of the total caseload, as far as the judges' time it's significantly more. It's probably accounting for one-half their time at this point.

Senator DOMENICI. Let me just ask you this: There is word around about perhaps having a Federal judge in Las Cruces. Do we need a Federal judge down here in the south, in Las Cruces?

Mr. LUTZ. Yes, sir, honestly, I think we do. Our caseload this year is probably going to be—approximately 25 percent of our caseload will be in Las Cruces. We had cases tried last week, we had cases tried this week, and we are having cases tried next week in Las Cruces. It's getting to where on the average about 40 percent of our criminal cases are having to be tried in Las Cruces. We seem to have a higher incidence of trials down here than in Albuquerque. Part of that is probably the types of cases. There are many more drug cases down here, and much more to fight about.

Senator DOMENICI. I just want to ask this last series of questions that have reference to changes in our statutes that have occurred within the last 2 or 3 years, and the Anti-Drug Abuse Act of 1986. We had some enhanced penalties for convictions, some minimum sentences and some limited parole opportunities; and, then, we also passed a comprehensive statute with reference to no bail for those who are proved to be extremely dangerous to the community. Could you comment briefly for the committee on whether these statutes are helping, in your opinion? In particular, do you have any evidence that the citizens at large are being protected by the no-bail provision? Is it being used by the judges? Give us your general impressions.

Mr. LUTZ. We are asking for detention in a number of cases, as both you and Senator DeConcini are aware, in drug offenses. But in crimes on the Indian reservations, we are having mixed success on how we are getting people detained. It has had a significant effect in the drug area and violent crimes area. We have many cases arising in Indian country where people commit multiple violent crimes, and there is a great concern that we would arrest somebody and a day later they would be back on the reservation, and then there would be a subsequent crime, and only then could we get them detained. I think we are gradually overcoming that. There is probably still a perception that there is a problem in those areas. I think that it's been very significant in that area. And I think it's been very significant in the drug area. We honestly have had some problems at times. We have asked to have some people detained that weren't. We have problems with people running off. In some of our road-stop seizures, we have one person get bonded out. He runs off. The defense comes into the court and says, "Well, it was all the other guy that is not here. I didn't know anything about it. I was just driving. I was just the passenger." Obviously, they were the ones involved. In the criminal context it's very hard to dispute that. So it's especially important to have judges that will enforce that once you get the statute. But I think they are excellent proposals. I think they will do a lot to protect the public.

I think the sentences have had a tremendous effect. There is really a concern in that we have seen in some of the areas in New Mexico they are bringing in smaller quantities across the border and assembling them in the interior to avoid the larger penalty, in case we get them at the border areas. We have had many cases where they had small quantities, and then they go back across the border. They are taking it to a safe house and storing it. It's become very obvious that they were doing that to avoid these penalties. You know, they are taking maybe two or three kilos of cocaine back and forth. And with our border, you can walk across a lot in a several day period. I think it does have an effect. I think the people have noticed it.

And I think the people that we are dealing with who are career criminals, so often when they get out of prison they are right back in the drug business. We have just nabbed somebody that was prosecuted 4 years ago. The judge gave him a reasonable sentence, and within a matter of weeks after he got out of the Federal penitentiary, he was picked up within a few days carrying a load in with people he had met in prison. So, I think these longer sentences are good. The longer they are incarcerated, the less period that they deal dope. And the ones that we are seeing are not people that are doing it as a one-shot thing. We are dealing with career criminals.

Senator DOMENICI. I am going to submit some written questions to you, and you can answer them within 10 days or 2 weeks.

Mr. LUTZ. Sure, I would be glad to.

Senator DECONCINI. Do you have a threshold on the amount that you can decide to go to the grand jury with, or to indict on the information?

Mr. LUTZ. We did have. That was 100 ounces of marijuana or 1 ounce of cocaine and heroin.

Senator DECONCINI. What do you have now?

Mr. LUTZ. None.

Senator DECONCINI. When did that stop?

Mr. LUTZ. With Operation Alliance last year.

Senator DECONCINI. What do you do when Customs, DEA, or the FBI comes in with a case? Do you file it almost automatically, unless it's just a flagrant abuse of investigative procedures?

Mr. LUTZ. We certainly look at the facts and make sure that the facts justify it. And if there is not a problem with the evidence, yes, we are filing it. Now, honestly, as Mr. Driggers said, nobody is doing all the cases. Frankly, everybody is inundated with them. But I think we have an agreement with Mr. Driggers and other district attorneys along the southern border, basically, that we will take anything that comes in. What all of us want to see is that every one of these cases gets prosecuted, and that it's going to get prosecuted one place or the other.

Senator DECONCINI. Mr. Driggers, if the Federal Government were going to participate in the area of assisting State prosecutors, primarily, are you talking about the need for investigators to help you, or are you talking about staff attorneys that you need, that you would like to see paid for?

Mr. DRIGGERS. Senator, I am talking about staff attorneys. We have fine cooperation with law enforcement at all levels—Federal, State, and local. And the need, the critical need there would be for additional prosecutors to prosecute those cases. As Mr. Lutz pointed out, with the additional, increased prosecution, the burden is placed on the justice system.

Senator DECONCINI. I am very sympathetic to that idea. It's a tremendous effort and burden on the Federal purse string to come up with that kind of money, not only to get radios, overtime, and some assistance for local sheriffs, but then we start dealing with State court inadequacy and local prosecutor inadequacy. To meet their demands, you would have to start a whole new LEA Program—which I thought was a pretty darn good program—but the bucks are not there. I am sympathetic to your problems. Thank you.

Senator DOMENICI. Congressman Skeen.

Mr. SKEEN. Thank you, Mr. Chairman. Bill, I want to ask a question. It's become evident to me in the law enforcement area that something has got to be done about the release of evidence and dealing with the large amount of storage required for evidence, and also, the length of time it has to be stored. I know this is required by law, and not being a lawyer, I would like to know if something we can do legislatively about disposing of these dangerous drugs faster, drugs that are now sitting around in vaults in huge amounts? I just did a tour of the State police complex, and I still have a headache from smelling the marijuana and cocaine that you've got stored there. Some of it has been there for years. Have you got any suggestions in this area, you or Mr. Driggers either one? I know the rules of evidence are part of the problem and that there is also the problem with people jumping bond—and I will talk to you shortly about the bonding situation—it causes some of the problem, because so long as there is a potential case to go on, you must hold that evidence.

Mr. LUTZ. I think there are a number of factors in that, Congressman. In this ton seizure, the DEA and my office have been joking back and forth about what we are going to do with it. Frankly, from the prosecution's standpoint, it's nice to pile all these drugs up right in front of the defendant for the jury to see. You know, it really hits home to them. That's one of the practical problems. People just don't realize what we are dealing with many times, as a private citizen, because they are not exposed to the drug trade. The biggest problem, I think, that you are facing is the concern of the Federal judiciary and the State judiciary, to some extent, about the rights of the defendant.

Mr. LUTZ. I think, frankly, there are a lot of defenses in the area of drugs that are being raised that are frivolous. And I really feel that probably the procedures are here, if the judges would use them, to say, "Look, you have 10 days to take a sample from whatever you want. We are going to spread it all out for you. You can take it wherever you want, have it tested by any lab, then it will be destroyed." I think those procedures are there, if they were used.

Mr. SKEEN. So you do have some outlet.

Mr. LUTZ. Yes; but it's something we are debating about. When we got the DC-6 near Willard with 2,000 or 3,000 pounds of marijuana, it makes an impression. We ended up keeping 1,000 pounds, because that was the breakoff on the statute for the enhanced penalty.

Mr. SKEEN. Maybe if you required that all the material be brought into the courtroom, maybe the judges would respond a little better.

Mr. LUTZ. It can be a big job. And, of course, when you prosecute a case with a large quantity, like we did near Hobbs last year—we brought it in, all in—you have a bad security problem when you have that kind of cocaine. That concerns us when we deal with those kinds of quantities of cocaine, because there is that potential security risk.

Mr. SKEEN. I agree with you. And the other problem attendant to this are the bonding requirements that have been handed down. For instance, I know now of a certain case in New Mexico where a $25,000 bond was levied and the two suspects jumped bail and went to Colombia. The prospects of ever picking them up again are pretty remote. I would think that that has become a real problem, low bonding levels.

Mr. LUTZ. It is a problem. And the problem you have is that Congress has responded to that. You know, I think the ball is frankly in the judiciary's court at this point.

Mr. SKEEN. Thank goodness. At least, there is something we are not responsible for.

Mr. LUTZ. We can detain them, but it is discretionary with the court. And I don't think, Congressman, you can get beyond that discretion to the judges. I think the discretion has to be there, because every case has to be taken on its own facts. But the tools are there, if they would use them.

As you are aware on a recent cocaine case, one of the individuals has already been bonded out, where we received over 1 ton; of course, over our objection. But it is a problem. We have file drawers full of fugitives under the old law, and some under the present law. We have also had some good successes. We have detained people that we know would have fled if they had been able to. It's not one-sided. The new act has been used in New Mexico, and has been used very effectively. And some of our judges have been very strong in enforcing it.

Mr. SKEEN. Let me ask you, how are you faring under the new drug bill? I got the general impression that you are doing very well. Have you got any suggestions for changes in it for making it more useful to you?

Mr. LUTZ. I think the changes that have been made in 1984 in the Comprehensive Crime Control Act, and then the 1986 amendments, and the Anti-Drug Abuse Act have been, probably, some of the most significant changes that have been made in this century in Federal criminal law. I think it's given us a lot of tools.

I think the one area that we still have a problem is in the search and seizure. The rules are entirely too hypertechnical. It's unrealistic for a police officer at 3 o'clock in the morning to have to make a decision that the U.S. Supreme Court after 3 years' study divides 5 to 4 on, whether it's a reasonable search. We want to protect the defendant's rights—and I think that's one of the scions of our society—but, at the same time, I think we need to be realistic. The fourth amendment says unreasonable search, not no search. And sometimes I think we miss that point. And I think that's one area that Congress and the courts need to examine carefully, because if in any area we lose drug cases, it's in the search and seizure. That's where we are going to lose the cases.

Mr. SKEEN. I think that's a good point.

Senator DOMENICI. I would say a bill is wending it's way, at least through the Senate—I am not sure in the House—with reference to the exclusionary rule, modifying the good-faith aspects. I am a willing cosponsor and hope we can get it through. Obviously, it seems, there is a growing enthusiasm for it, because of exactly the kind of things that have come to our attention with reference to the difficulty that you have just explained with regard to police officers at 3 o'clock in the morning. There are hundreds of these situations, and we are growing in our awareness of them. And I would be rather confident that we will get something passed in Congress with reference to that. And the Supreme Court has a changing attitude, as you know, with regard to that.

We want to thank both of you for your appearance here, and for the work that you do on behalf of our citizens in this very difficult area of the prosecution and protection of our people's rights.

STATEMENT OF WILLIAM BRANON, SPECIAL AGENT IN CHARGE, ALBUQUERQUE OFFICE, FEDERAL BUREAU OF INVESTIGATION, DEPARTMENT OF JUSTICE

ACCOMPANIED BY:

RICK LIND, CHIEF, DRUG DESK, FEDERAL BUREAU OF INVESTIGATION, DEPARTMENT OF JUSTICE

MATTHEW J. MAHER, ASSISTANT SPECIAL AGENT IN CHARGE; DENVER, CO, DIVISION; DRUG ENFORCEMENT ADMINISTRATION, DEPARTMENT OF JUSTICE

PREPARED STATEMENTS

Senator DOMENICI. Can, we have our next panel of witnesses. They are from the U.S. Department of Justice. If they would all come up and join us. We are going to have William Branon, special agent in charge of the Albuquerque division of the FBI; Frank Story, and perhaps somebody's taking Frank Story's place, if they will just introduce themself. We will also be hearing from Matthew Maher, assistant special agent in charge of the Denver, CO, division of the Drug Enforcement Administration.

We will place all your statements in the record and then you may proceed.

[The statements follow:]

STATEMENT OF WILLIAM D. BRANON

ON BEHALF OF THE FEDERAL BUREAU OF INVESTIGATION AND THE ALBUQUERQUE DIVISION OF THE FBI, I WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK SENATORS DE CONCINI, DOMENICI AND THE SENATE SUBCOMMITTEE ON TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT OF THE UNITED STATES SENATE COMMITTEE ON APPROPRIATIONS FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TO DISCUSS THE FBI'S ROLE IN DRUG ENFORCEMENT EFFORTS IN THE STATE OF NEW MEXICO.

SINCE JANUARY 28, 1982, WHEN THE ATTORNEY GENERAL WILLIAM FRENCH SMITH DELEGATED TO THE FBI CONCURRENT JURISDICTION WITH DEA FOR INVESTIGATIONS OF VIOLATIONS OF THE COMPREHENSIVE DRUG ABUSE PREVENTION AND CONTROL ACT OF 1970, THE FBI HAS HAD A SIGNIFICANT ROLE IN ADDRESSING THE PROBLEM OF DRUG TRAFFICKING IN THE UNITED STATES. WE ARE CONSTANTLY STRIVING TO ENHANCE OUR INVESTIGATIVE EFFORTS DIRECTED AGAINST THIS DIFFICULT PROBLEM. AS YOU MAY KNOW, ON MAY 7, 1986, THE DIRECTOR OF THE FBI APPROVED THE FBI'S NATIONAL DRUG STRATEGY WHICH FURTHER COMMITS THE FBI TO VIGOROUS EFFORTS DESIGNED TO REDUCE THE INCIDENCE OF ILLEGAL DRUG TRAFFICKING AND RELATED CRIMINAL ACTIVITY IN AMERICAN SOCIETY.

SPECIFICALLY, THE FBI'S NATIONAL DRUG STRATEGY SEEKS TO ADDRESS MAJOR DRUG TRAFFICKING ORGANIZATIONS SUCH AS THE LCN/SICILIAN MAFIA, AND COLOMBIAN/SOUTH AMERICAN AND MEXICAN NETWORKS WHICH ARE LARGELY RESPONSIBLE FOR COCAINE AND HEROIN DISTRIBUTION IN THE UNITED STATES.

IN THE ALBUQUERQUE DIVISION, THE DRUG PROGRAM IS OUR NUMBER ONE INVESTIGATIVE PRIORITY AND WE ARE GUIDED IN OUR EFFORTS BY THE MISSION AND OBJECTIVES SET FORTH IN THE NATIONAL DRUG STRATEGY. OUR INVESTIGATIVE EFFORTS ARE DIRECTED AGAINST MEXICAN DRUG TRAFFICKING GROUPS THAT ARE RESPONSIBLE FOR THE IMPORTATION AND DISTRIBUTION OF LARGE QUANTITIES OF COCAINE AND HEROIN. IT IS OUR OBJECTIVE TO DEVELOP, IN CLOSE COORDINATION WITH THE UNITED STATES ATTORNEY'S OFFICE, STRONG, PROSECUTABLE CASES AGAINST THESE ELEMENTS WHICH WILL NOT ONLY LEAD TO THEIR

CONVICTION, BUT ALSO TO THE SEIZURE AND FORFEITURE BY THE FEDERAL GOVERNMENT OF THEIR ILLEGALLY OBTAINED ASSETS.

THE FBI'S DRUG INVESTIGATION RESOURCES IN NEW MEXICO HAVE BEEN DOUBLED IN THE LAST TWELVE MONTHS, THEREBY ENABLING OUR OFFICE TO MORE EFFECTIVELY ADDRESS DRUG CASES WHICH ARE EXTREMELY MANPOWER INTENSIVE. WE HAVE ALSO ASSIGNED SOME OF THE MOST AGGRESSIVE AND EXPERIENCED AGENTS IN OUR DIVISION TO WORK DRUG MATTERS. IN ADDITION, WE HAVE ENHANCED OUR RESOURCES IN THE ROSWELL AND LAS CRUCES RESIDENT AGENCIES WITH THE OBJECTIVE OF HAVING AT LEAST ONE AGENT IN EACH OFFICE WHO IS DEDICATED SOLELY TO DRUG MATTERS. IT WILL BE THE RESPONSIBILITY OF THESE AGENTS TO WORK HAND IN HAND WITH FEDERAL, STATE AND LOCAL AGENCIES TO DEVELOP DRUG INTELLIGENCE AND THEREAFTER INITIATE MULTI-JURISDICTIONAL INVESTIGATIONS WHICH WILL HOPEFULLY REACH THE HIGHEST LEVELS OF MEXICAN DRUG TRAFFICKING.

OUR INVESTIGATIVE EXPERIENCE AND INTELLIGENCE DATA SHOW THAT THESE GROUPS, WHILE PERHAPS LACKING THE ORGANIZATIONAL SOPHISTICATION OF THE LCN OR SOME OF THE MORE POWERFUL COLOMBIAN GROUPS, ARE NEVERTHELESS IDENTIFIABLE CRIMINAL ENTERPRISES WITH DIRECTORS, MANAGERS, AND EMPLOYEES. AS A RESULT, THE APPLICATION BY THE FBI OF SOPHISTICATED ELECTRONIC AND PHYSICAL SURVEILLANCE AND UNDERCOVER OPERATIONS, WHICH HAVE PROVEN SO SUCCESSFUL AGAINST THE LCN, ARE PROVING MOST EFFECTIVE. AGAIN, EXPERIENCE HAS SHOWN US THAT ONLY BY ATTACKING AND DISMANTLING THE HIERARCHY OF THESE ORGANIZATIONS CAN WE EXPECT TO HAVE AN IMPACT ON THE DRUG PROBLEM.

THE INVESTIGATION OF DRUG TRAFFICKING ORGANIZATIONS IN NEW MEXICO POSES A REAL CHALLENGE TO THE FBI GIVEN THE RELATIVELY SMALL POPULATION OF THE STATE, THE VAST UNPOPULATED AREAS AND THE APPROXIMATELY 187 MILES OF COMMON BORDER WITH THE REPUBLIC OF MEXICO.

MANY OF THE DRUG TRAFFICKING ORGANIZATIONS WE HAVE IDENTIFIED OPERATE OUT OF SMALL TOWNS IN NEW MEXICO WHERE THE PRESENCE OF OUTSIDERS, TO INCLUDE LAW ENFORCEMENT, CAN BE READILY

DETECTED. AS A RESULT, WE MUST BE PATIENT AND MORE INNOVATIVE IN OUR INVESTIGATIVE APPROACHES TO PRECLUDE COMPROMISE.

OUR INVESTIGATIVE EFFORTS ARE FURTHER EXACERBATED BY THE RELATIVE LONG DISTANCES BETWEEN TOWNS. MUCH VALUABLE INVESTIGATIVE TIME IS LOST JUST TRAVELING TO AND FROM TARGET AREAS. FOR EXAMPLE, IT TAKES APPROXIMATELY FOUR HOURS TO DRIVE FROM ALBUQUERQUE TO LAS CRUCES AND FOUR HOURS FROM LAS CRUCES TO HOBBS.

LASTLY, THE COMMON BORDER WITH MEXICO PROVIDES THE DRUG TRAFFICKER WITH EASY AND RAPID ACCESS TO THEIR SUPPLY SOURCE. GIVEN THIS PROXIMITY TO MEXICO AND THE INCREASED PUBLICITY GIVEN TO DRUG ENFORCEMENT EFFORTS ALONG THE UNITED STATES - MEXICAN BORDER, TRAFFICKERS ARE NOW GENERALLY MORE INCLINED TO SMUGGLE SMALLER LOADS OF DRUGS INTO NEW MEXICO AND THEREAFTER WAREHOUSE THEM IN SO-CALLED "STASH HOUSES." FOR EXAMPLE, INTELLIGENCE DATA INDICATES THAT RELATIVE TO MEXICAN BROWN HEROIN, TRAFFICKERS PREFER TO SMUGGLE OUNCES AT A TIME AND ONLY RARELY SMUGGLE KILO QUANTITIES. THIS TECHNIQUE MINIMIZES THEIR LOSSES IN THE EVENT ONE OF THEIR COURIERS, COMMONLY KNOWN AS "MULES", IS DETAINED AND THE HEROIN SEIZED. FURTHERMORE, THE HIGH PRICE THAT MEXICAN BROWN HEROIN DEMANDS MAKES THE SMUGGLING OF EVEN SMALL QUANTITIES VERY PROFITABLE.

DESPITE SOME OF THE OBSTACLES WHICH I HAVE JUST MENTIONED, THE ALBUQUERQUE DIVISION'S DRUG PROGRAM HAS EXPERIENCED SOME VERY NOTABLE SUCCESSES. BEFORE I MENTION SOME OF OUR ACCOMPLISHMENTS, I WOULD LIKE TO POINT OUT THAT OUR ACHIEVEMENTS WOULD NOT HAVE BEEN POSSIBLE WITHOUT THE EXCELLENT COOPERATION TENDERED TO THE FBI ON THESE MATTERS BY THE UNITED STATES ATTORNEY'S OFFICE, LOCAL PROSECUTORS, THE DEA, NEW MEXICO STATE POLICE, THE ALBUQUERQUE POLICE DEPARTMENT, AND NUMEROUS LOCAL LAW ENFORCEMENT AGENCIES SUCH AS THE CITY POLICE DEPARTMENTS FROM ROSWELL, ARTESIA, AND HOBBS.

SOME OF OUR MAJOR INVESTIGATIONS ARE AS FOLLOWS:

ON MAY 7, 1987, WE CULMINATED A JOINT INVESTIGATION WITH DEA WITH THE INDICTMENT OF SEVEN MEXICAN NATIONALS WHO WERE DIRECTING A LUCRATIVE COCAINE TRAFFICKING GROUP IN ALBUQUERQUE. THE SUBJECTS WERE CLOSELY ALLIED WITH DRUG TRAFFICKERS IN LOS ANGELES, CALIFORNIA AND IN MEXICO. AT THE TIME THREE OF THE SUBJECTS WERE ARRESTED IN ALBUQUERQUE, ONE KILO OF COCAINE AND THREE VEHICLES WERE SEIZED. ASPECTS OF THIS CASE REMAIN PENDING.

ANOTHER INVESTIGATION IN ALBUQUERQUE WAS THE RICHARD G. CANALES CASE WHICH WAS INITIATED UPON RECEIPT OF INFORMATION FROM OUR DETROIT DIVISION WHICH INDICATED THAT SUBJECTS IN DETROIT WERE NEGOTIATING FOR LARGE AMOUNTS OF MEXICAN HEROIN WITH MR. CANALES, WHO WAS RESIDING IN ARTESIA, NEW MEXICO. PURSUANT TO THE USE OF A COURT-AUTHORIZED WIRE COMMUNICATIONS INTERCEPT, SIX INDIVIDUALS WERE ARRESTED AND FOUR WERE SUBSEQUENTLY CONVICTED. IT IS INTERESTING TO NOTE THAT ONE OF THE DETROIT SUBJECTS, WHO HAD BEEN ARRESTED PREVIOUSLY IN PENNSYLVANIA IN POSSESSION OF SEVERAL KILOS OF MEXICAN BROWN HEROIN, MET CANALES WHILE BOTH WERE INCARCERATED FOR PREVIOUS DRUG VIOLATIONS. THE TWO REMAINING SUBJECTS ARE IN FUGITIVE STATUS AND HAVE BEEN LOCATED RESIDING IN MEXICO UNDER THE PROTECTION OF THE PABLO ACOSTA DRUG TRAFFICKING ORGANIZATION.

ANOTHER CASE WORTHY OF NOTE IS THE JUAN PEDRO LOPEZ MATTER. THIS CASE WAS INITIATED ON RECEIPT OF INFORMATION FROM NEW MEXICO STATE PRISON AUTHORITIES WHICH INDICATED THAT INMATES WERE OPERATING A HEROIN DISTRIBUTION NETWORK THROUGHOUT THE STATE OF NEW MEXICO WHILE INCARCERATED. SUBSEQUENT INVESTIGATION BY THE ALBUQUERQUE DIVISION, WITH THE ASSISTANCE OF THE ROSWELL CITY POLICE DEPARTMENT, THE NEW MEXICO STATE POLICE AND THE NEW MEXICO STATE PRISON AUTHORITIES RESULTED IN THE ARREST OF JUAN PEDRO LOPEZ AND THREE ASSOCIATES WHEN THEY SOLD UNDERCOVER OFFICERS A POUND OF MEXICAN HEROIN WITH A STREET VALUE OF $8.8 MILLION. THIS INVESTIGATION RESULTED IN FOUR CONVICTIONS AND IS AN EXCELLENT EXAMPLE OF HOW MULTIPLE LAW ENFORCEMENT AGENCIES

WORKING TOGETHER FOR A COMMON CAUSE CAN HAVE A SIGNIFICANT IMPACT ON THE DRUG TRAFFICKING PROBLEM.

FINALLY, I WOULD LIKE TO MENTION A CASE OF SPECIAL SIGNIFICANCE FOR IT CLEARLY SHOWS HOW DRUG TRAFFICKING AND THE CONCOMITANT PROFITS KNOW NO BOUNDARIES AND ATTRACT PEOPLE FROM ALL WALKS OF LIFE.

IN NOVEMBER, 1985, THE FBI JOINED THE ALBUQUERQUE POLICE DEPARTMENT IN A JOINT INVESTIGATION WHICH HAD AS ONE OF THE SUBJECTS BOSTON WITT, A FORMER STATE ATTORNEY GENERAL IN NEW MEXICO. THE CASE INITIALLY FOCUSED ON THE MONEY LAUNDERING ACTIVITIES BEING CARRIED OUT BY WITT. IT SUBSEQUENTLY DEVELOPED INTO DRUG TRAFFICKING INASMUCH AS WITT HAD CONTACTS WITH INDIVIDUALS WHO COULD PROVIDE MULTI-KILOS OF COCAINE. AS A RESULT OF UNDERCOVER ACTIVITY, SIXTEEN POUNDS OF COCAINE WERE DELIVERED TO UNDERCOVER AGENTS BY WITT'S ASSOCIATES. SUBSEQUENTLY, WITT AND NINE OTHER SUBJECTS, INCLUDING THREE COLOMBIAN NATIONALS WERE CONVICTED.

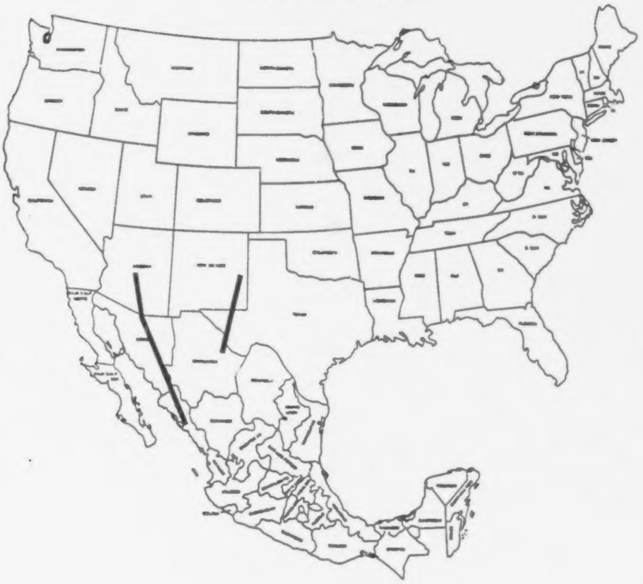
THE ALBUQUERQUE DIVISION IS TOTALLY COMMITTED TO COMBATING THE DRUG PROBLEM IN NEW MEXICO IN CONCERT AND IN PARTNERSHIP WITH OTHER FEDERAL, STATE AND LOCAL AGENCIES. THE DRUG PROBLEM IS MUCH TOO LARGE AND SEVERE FOR UNILATERAL OR FRAGMENTED ENFORCEMENT EFFORTS. ONLY THROUGH JOINT INVESTIGATIONS AND THE COMPLETE SHARING OF DRUG INTELLIGENCE DATA, AS ADVOCATED BY THE OPERATION ALLIANCE CONCEPT, CAN WE HOPE TO GAIN ON THE DRUG PROBLEM.

IN CLOSING, I WOULD LIKE TO POINT OUT THAT WHILE INTENSIFIED LAW ENFORCEMENT EFFORTS CAN HAVE A VERY POSITIVE EFFECT ON DRUG TRAFFICKING ACTIVITY, THE LONG-TERM SOLUTION IS IN DEMAND REDUCTION. THE ILLICIT PROFITS ASSOCIATED WITH DRUG TRAFFICKING ARE TOO ATTRACTIVE AND SUPERSEDE THE DANGERS AND CONSEQUENCES ASSOCIATED WITH BEING CAUGHT. FURTHERMORE, AS ONE ORGANIZATION IS DISMANTLED, ANOTHER STANDS READY TO FILL THE VOID. IT IS, THEREFORE, IMPERATIVE THAT WE CONTINUE TO DEVELOP

AGGRESSIVE DEMAND REDUCTION PROGRAMS WHICH EDUCATE THE YOUTH OF AMERICA ON THE DANGERS OF DRUG USE AND ABUSE.

GENTLEMEN, THIS COMPLETES MY STATEMENT AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS

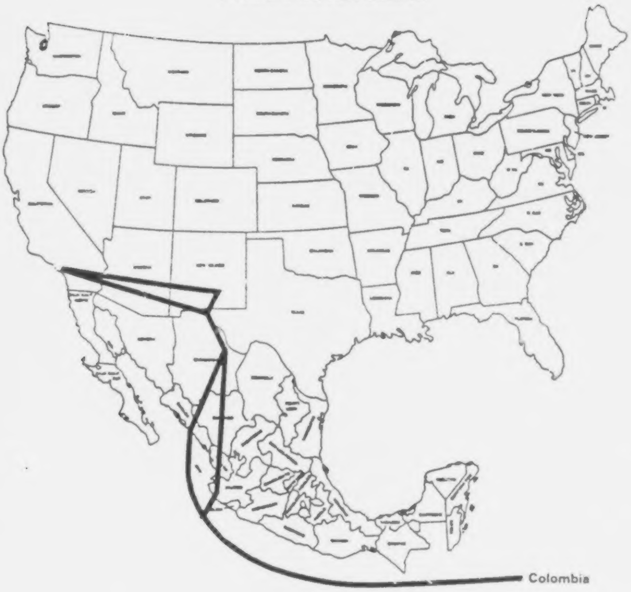


Cocaine/Heroin

Culiacan, Sinaloa, Mexico to Nogales, Sonora, Mexico to Phoenix, Arizona, USA

Ojinaga, Chihuahua, Mexico to Portales, New Mexico, USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Cocaine

Colombia

to

Jalisco and Sinaloa, Mexico
(by boat)

to

Ojinaga,
Chihuahua, Mexico

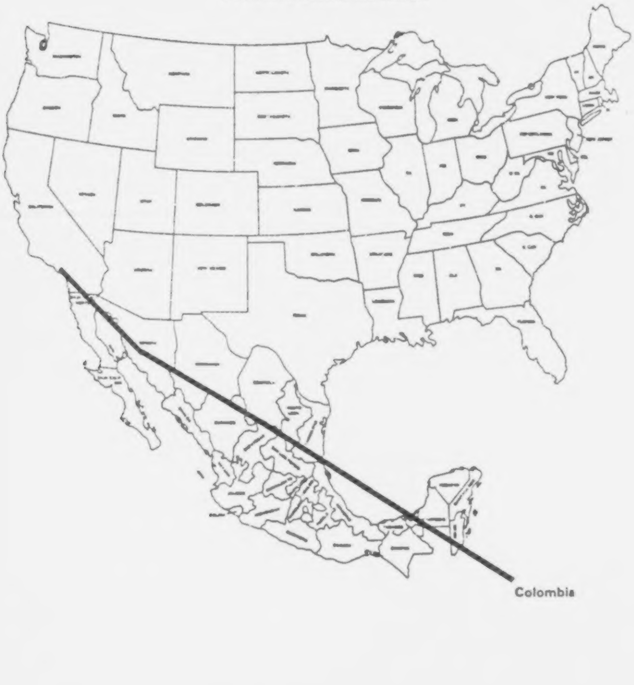
to

El Paso, Texas and
Alamogordo, New Mexico, USA

to

Los Angeles, Calif., USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Cocaine

Colombia

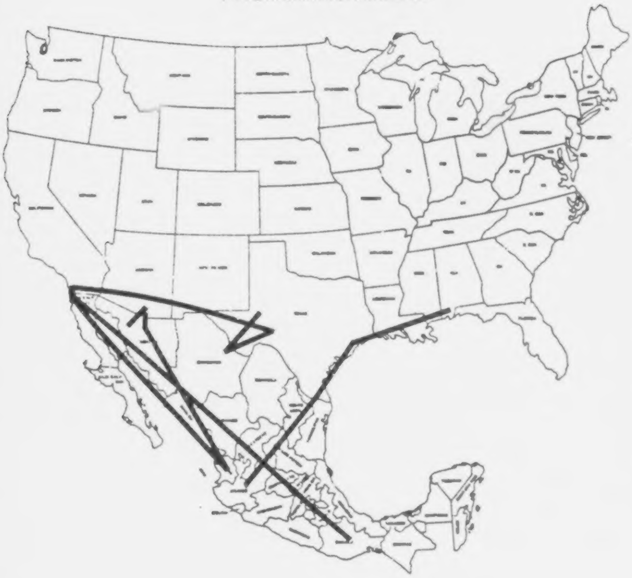
to

Hermosillo, Sonora, Mexico

to

Los Angeles, Calif., USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Marijuana

Nayarit (State) and Oaxaca (State) to
Tijuana, Baja Calif. Norte, Mexico to
San Diego, Calif., USA

Nayarit (State) to
Nogales, Sonora, Mexico to
Tucson, Arizona, USA

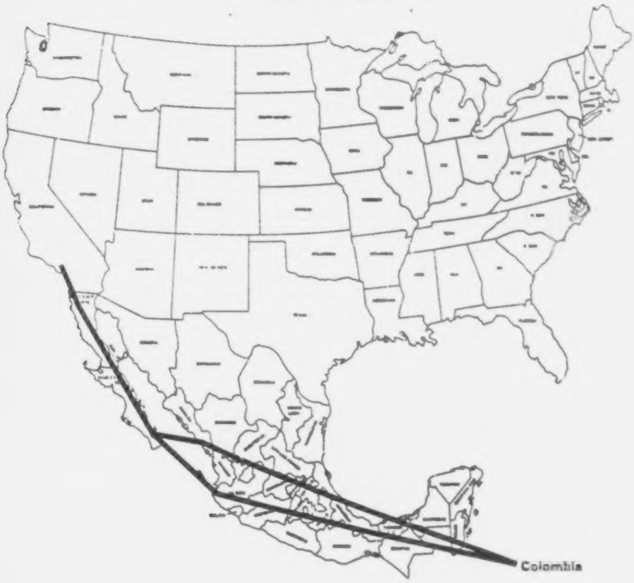
Caborca, Sonora, Mexico to
Papago Indian Reservation,
Tucson Arizona, USA

Ojinaga, Chihuahua, Mexico to
Odessa, Texas, USA

Ojinaga, Chihuahua, Mexico to
Sanderson, Texas, USA to
San Diego, Calif., USA

Guadalajara, Jalisco, Mexico to
McAllen, Texas, USA to
Houston, Texas, USA to
Mobile, Alabama, USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Cocaine

Colombia

to

Puerto Vallarta, Jalisco and
Mazatlan, Sinaloa, Mexico

to

La Paz, Baja Calif. Sur, Mexico

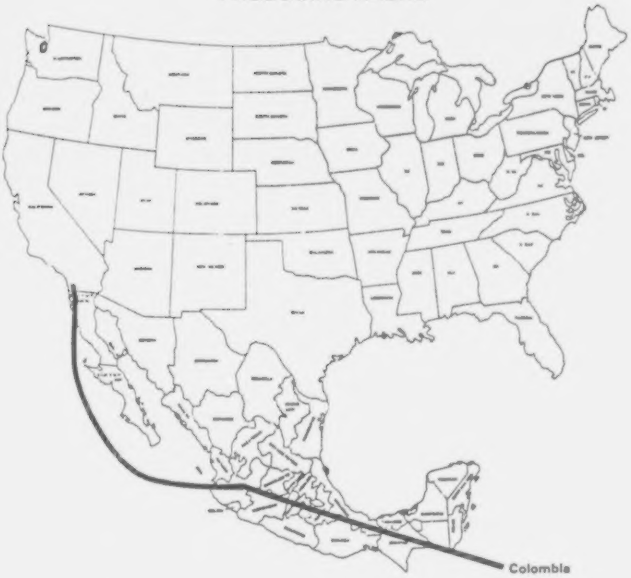
to

Ensenada and Tijuana
Baja Calif. Norte, Mexico

to

Los Angeles, Calif., USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Cocaine

Colombia

to

Guadalajara, Jalisco, Mexico

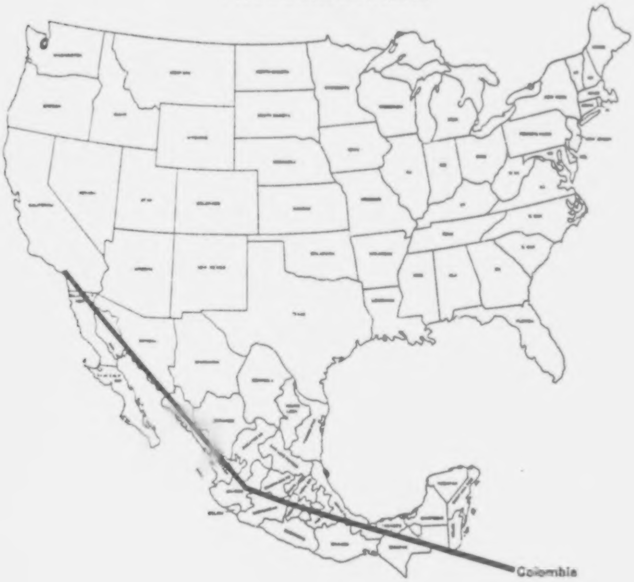
to

Ensenada and Tijuana, - Baja Calif. Norte, Mexico

to

San Diego, Calif., USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Cocaine

Colombia

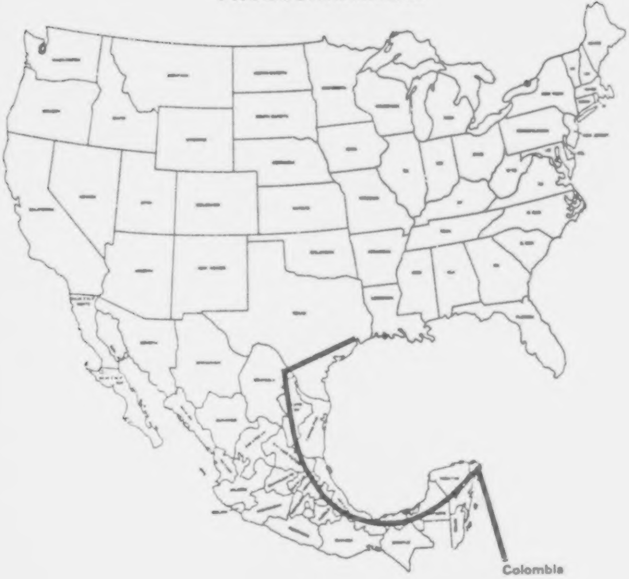
to

Guadalajara, Jalisco, Mexico

to

Los Angeles, Calif., USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Cocaine

Colombia

to

Cancun, Mexico

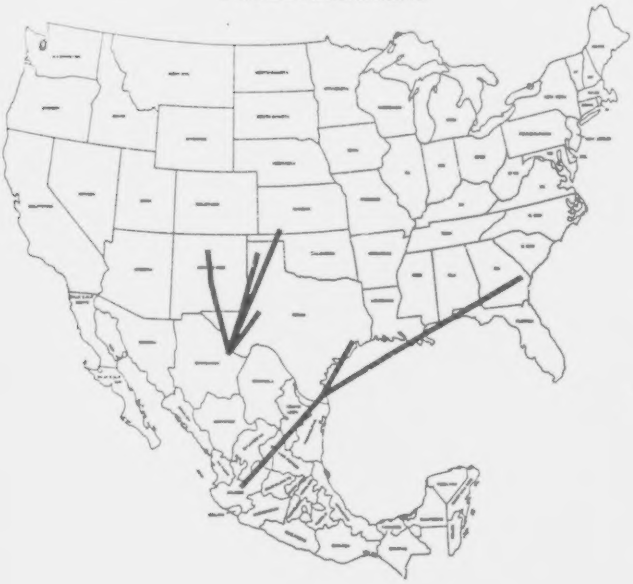
to

Piedras Negras, Coahuila, Mexico

to

San Antonio, Texas, USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Cocaine/Marijuana

Guadalajara, Jalisco, Mexico to McAllen, Texas, USA to Houston, Texas, USA

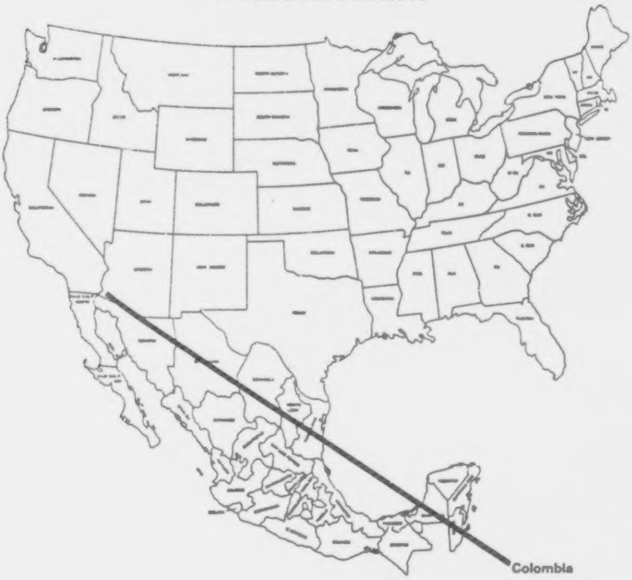
Ojinaga, Chihuahua, Mexico to Dumas, Texas, USA

Ojinaga, Chihuahua, Mexico to Odessa, Texas, USA to Ojinaga, Chihuahua, Mexico to Liberal, Kansas, USA

Ojinaga, Chihuahua, Mexico to Alamogordo, New Mexico, USA to Albuquerque, New Mexico, USA

McAllen, Texas, USA to Lyons, Georgia, USA

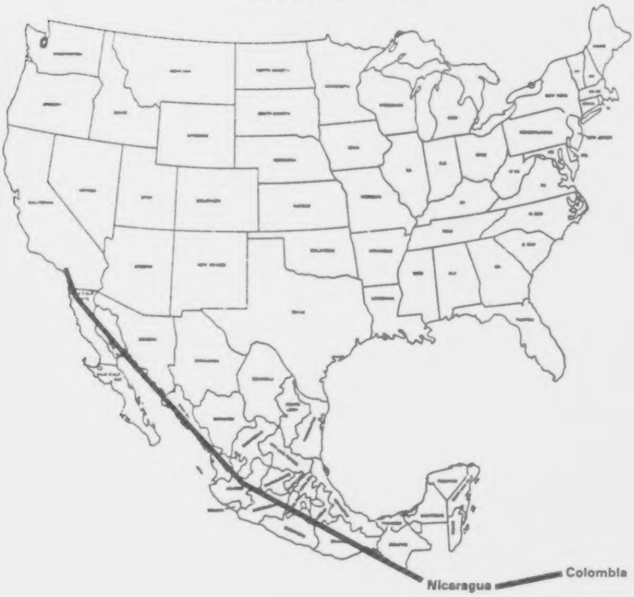
MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Cocaine

Colombia
to
Eastern Mexico
to
Yuma Indian Reservation, Arizona, USA

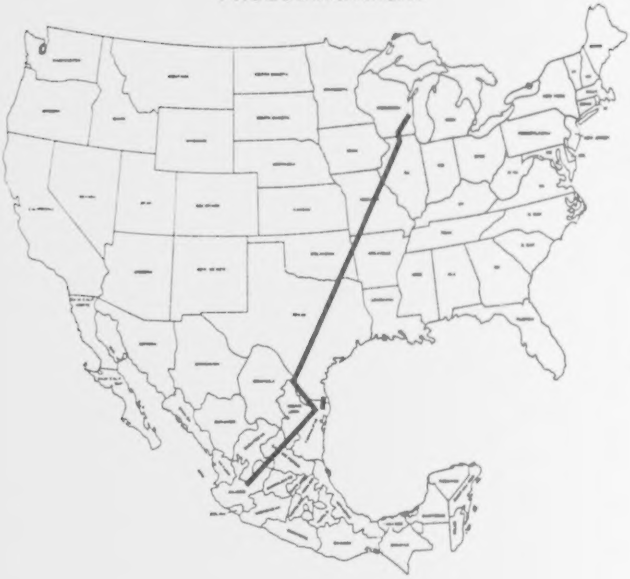
MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Cocaine

Colombia
to
Nicaragua
to
Jalisco, Mexico
to
Baja Calif. Norte, Mexico
to
Los Angeles, Calif., USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS

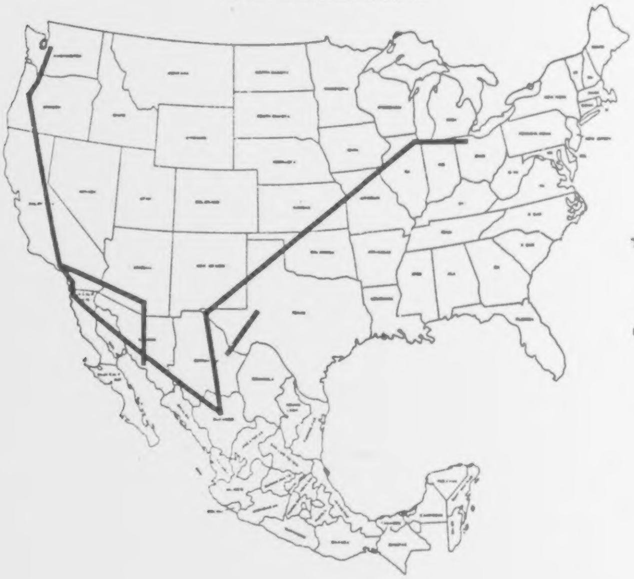


Cocaine/ Marijuana/Heroin

Guadalajara, Jalisco, Mexico to
Reynosa, Tamaulipas, Mexico to
Laredo, Texas, USA to
Rockford, Illinois, USA to
Beloit, Wisconsin, USA to
Milwaukee, Wisconsin, USA

Matamoros, Tamaulipas, Mexico to
Brownsville, Texas, USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Heroin

Durango, Durango, Mexico to
El Paso, Texas, USA to
Chicago, Illinois, USA to
Toledo, Ohio, USA

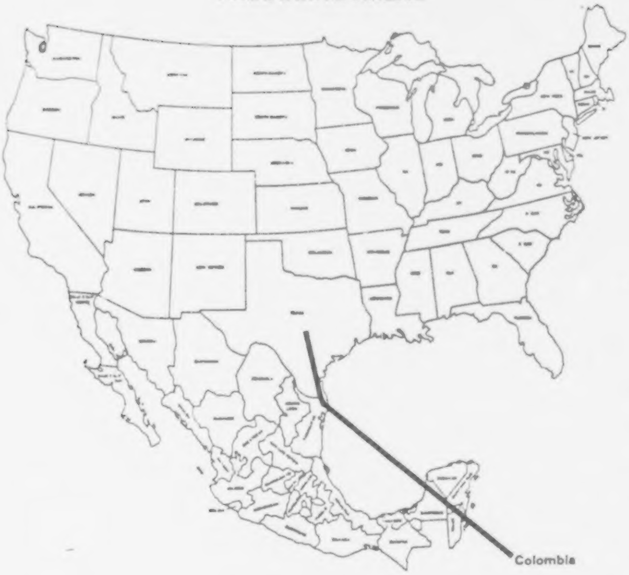
Durango, Durango, Mexico to
Tijuana, Baja Calif. Norte, Mexico to
San Diego, Calif., USA to
Los Angeles, Calif., USA

Ciudad Obregon, Sonora, Mexico to
Tucson, Arizona, USA to
Los Angeles, Calif., USA

Ojinaga, Chihuahua, Mexico to
Odessa, Texas, USA

Los Angeles, Calif., USA to
Salem, Oregon, USA to
Portland, Oregon, USA to
Seattle, Wash., USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Cocaine

Colombia

to

Matamoros, Tamaulipas, Mexico

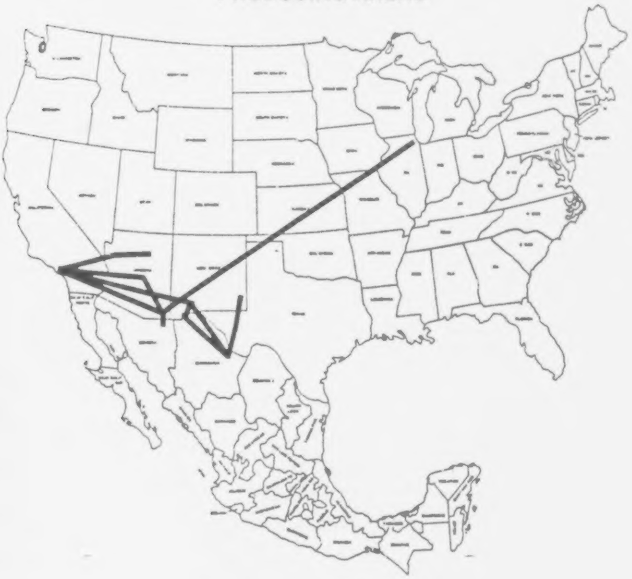
to

Brownsville, Texas, USA

to

San Antonio, Texas, USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Cocaine

Ojinaga, Chihuahua, Mexico to
Juarez, Chihuahua, Mexico to
Deming, New Mexico, USA to
Los Angeles, Calif., USA

Ojinaga, Chihuahua, Mexico to
Van Horn, Texas, USA to
Hobbs, New Mexico, USA

Ojinaga, Chihuahua, Mexico to
Las Palomas, Chihuahua, Mexico to
Deming, New Mexico, USA

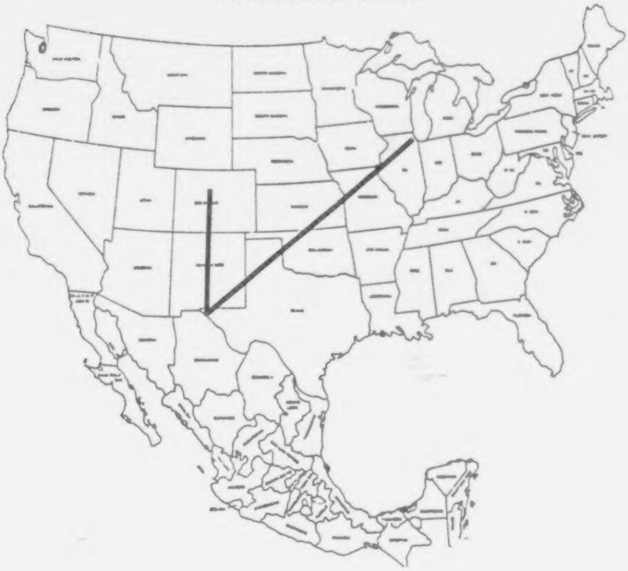
Los Angeles, Calif., USA to
Phoenix, Arizona, USA

Los Angeles, Calif., USA to
Kingman, Arizona, USA to
Flagstaff, Arizona, USA

Agua Prieta, Sonora, Mexico to
Douglas, Arizona, USA

Phoenix, Arizona, USA
Los Angeles, Calif., USA
Chicago, Illinois, USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS

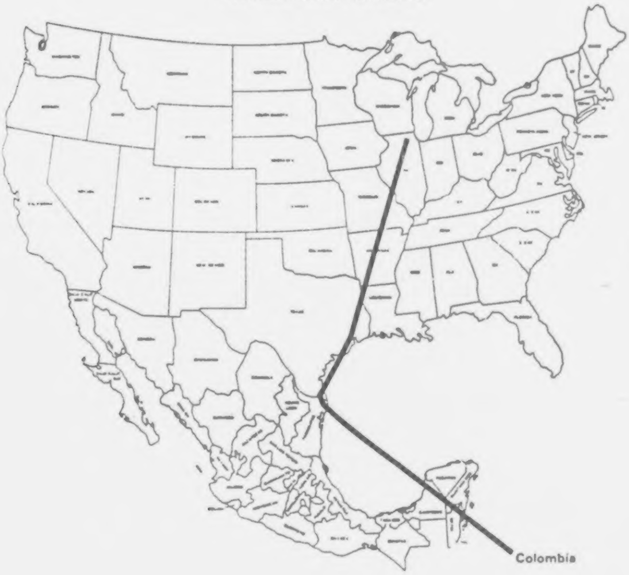


Marijuana/Heroin

El Paso, Texas, USA to
Denver, Colorado, USA

El Paso, Texas, USA to
Chicago, Illinois, USA

MEXICAN DRUG TRAFFICKING ROUTES AND DRUG PRODUCING AREAS



Cocaine

Colombia

to

Matamoros, Tamaulipas, Mexico

to

McAllen, Texas, USA

to

Houston, Texas, USA

to

Rockford, Illinois, USA

STATEMENT OF MATTHEW J. MAHER

Senator Domenici, Mr. Chairman, and members of the Subcommittee on Treasury, Postal Service and General Government: I am pleased to discuss drug trafficking activity along the Southwestern border, specifically in relation to the State of New Mexico, and programs of the Drug Enforcement Administration to address this situation.

The Drug Enforcement Administration's Denver Field Division is responsible for drug enforcement activities in Colorado, New Mexico, Utah, and Wyoming. Specifically, the Albuquerque District Office and the Las Cruces Resident Office are responsible for the State of New Mexico.

The United States/Mexican border presents a 2,000 mile area of vulnerability. Illicit drugs are produced in or transshipped through Mexico to the United States. Heroin, marijuana, cocaine, and dangerous drugs enter the United States through our Southwest border.

Enforcement activities and intelligence indicate that Mexican trafficking networks have become more sophisticated, and major traffickers have developed strong organizational border trafficking networks. These traffickers are usually organized in close-knit, familial clans or confederations that deal in a variety of illicit drugs. Those confederations finance opium poppy and cannabis cultivation and laboratories that produce heroin. They also employ groups of experienced smugglers.

Drugs are smuggled across the Southwest border both by land and air. The geographic proximity to Mexico, coupled with the rural nature of the area, make single and multi-engine aircraft smuggling to New Mexico possible. With the exception of a few urban areas, most airports in the state are not manned on a

24-hour basis, which allows smugglers to land unnoticed. In addition, in southern New Mexico alone over 100 clandestine landing strips have been identified where air smugglers could off-load quantities of drugs.

I would now like to discuss the different drugs trafficked in and through New Mexico and DEA activities to stem this activity.

HEROIN

Historically, Mexico has been the primary source of heroin for the western United States. Our nation is again experiencing an influx of high-purity Mexican heroin. According to the National Narcotics Intelligence Consumers Committee, in 1985 Mexican heroin represented about 39 percent of the heroin consumed in the United States compared to 32 percent in 1984.

Preliminary statistics for 1986, based on DEA's Heroin Signature Program, indicate that Mexico will continue its role as the largest single country supplier of heroin to the United States. The Heroin Signature Program is a chemical analysis of heroin exhibits through which heroin can be classified according to the geographic areas from which it originates.

Higher retail purities and decreasing prices of Mexican heroin indicate its increased availability in the United States.

The price of Mexican black tar heroin in New Mexico has dropped during the past three months to $4,500 - $10,000 an ounce, and to $100,000 - $115,000 a kilogram. This compares to prices of between $7,000 to $12,000 an ounce and $116,000 to $120,000 a kilogram in the preceding three months. The street prices have remained about the same at $50 per gram.

Mexican heroin is smuggled across the U.S./Mexican border primarily concealed in vehicles or body-carried by pedestrians. Seizures of Mexican heroin indicate that it continues to be smuggled into the United States in small quantities.

According to the El Paso Intelligence Center estimates, Mexican heroin seizures along the Southwest border in 1986 indicate that the majority of the heroin was seized in California, followed by Texas and Arizona. Most of the heroin that enters New Mexico is smuggled in by organized groups from Mexico who come across the border around El Paso.

Mexican heroin availability in Albuquerque and throughout New Mexico has continued to increase with Mexican "black tar," the most frequently encountered heroin in New Mexico. Some heroin of Southeast Asian origin has been encountered, but this is the exception rather than the rule. Local demand for heroin has remained constant throughout the year.

COCAINE

Cocaine availability and demand has continued to increase in the Albuquerque area as well as throughout New Mexico. The street purity has remained constant at around 40 to 50 percent, but purchases at the wholesale level have revealed purity levels as high as 95 percent. Crack availability in the area is limited.

Cocaine traffickers living in New Mexico are mostly middle and upper working class persons, although some Mexican organizations are setting up distribution operations in New Mexico. New Mexico distributors receive their cocaine directly from South America, Mexico, and Florida. Interstate Route 40 continues to be a major drug route through New Mexico, primarily carrying cocaine smuggled through Mexico into Southern California to eastern markets.

MARIJUANA

As with heroin, both the quantity and quality of Mexican marijuana entering the southwestern United States has increased. Most of the marijuana comes across the land border in vehicles. Cars, trucks, false beds and camper tops of pick-up trucks, and even tanker trucks capable of moving thousands of pounds in a single journey are used for smuggling. Air smuggling of marijuana across New Mexico is also seen.

The availability of marijuana in the Albuquerque area has increased during the recent month. Prices have remained high, ranging from $100 an ounce to $1,600 - $1,800 a pound, depending on quality.

New Mexico is also a relatively significant producer of domestic marijuana. The Albuquerque District Office works with the New Mexico State Police and local law enforcement agencies in establishing guidelines for the statewide Cannabis Eradication/Suppression Program. In 1986, the DEA-sponsored Domestic Cannabis Eradication/Suppression Program for New Mexico resulted in the destruction of 12,041 plants in 100 plots. Nearly 11,000 of the plants were high-potency sinsemilla. In addition, seven indoor greenhouses were seized, and 60 persons were arrested.

DEA and the U.S. Forest Service have developed plans for training forest rangers and conducting a cannabis eradication and suppression program on U.S. Forest Service lands in New Mexico.

CLANDESTINE LABORATORY ACTIVITY

The clandestine production of controlled substances is another drug trafficking threat to the New Mexico area. Methamphetamine and P-2-P, a chemical precursor necessary in the production of methamphetamine, but which is not available on the licit market, are produced in the state. Illicit drugs are manufactured both for local consumption and for shipment out of the state, primarily to the West Coast and the southwestern United States.

An increase in clandestine laboratory operations has contributed to a ready availability of methamphetamine during the past year. Clandestine laboratories are usually mobile; i.e., they operate for a few days and then move to avoid detection. There has been a trend for some laboratory operations to move out of the Albuquerque metropolitan area to rural and remote area in New Mexico.

The Albuquerque District Office continues to work in close cooperation with Federal, state, and local law enforcement agencies in gathering intelligence and investigating clandestine laboratories and dangerous drug distribution organizations. Specifically developed enforcement/intelligence operations have resulted in the seizures of 18 clandestine methamphetamine laboratories in New Mexico thus far in FY 87.

Other complex drug initiatives also involve extensive interagency cooperation between Federal, state, and local law enforcement agencies. I would now like to describe some of these ongoing operations.

OPERATION INTERSTATE PIPELINE

Operation Interstate Pipeline first began as a DEA-New Mexico State Police operation in 1982 and continues to be very successful around the country. The operation focuses the resources of the nation's highway and state police to intercept illegal drug shipments over the interstate highway system. DEA and state police travel to selected states and sponsor seminars to train officers to detect drug couriers and seize vehicles transporting illegal drugs. DEA produced a training film in conjunction with the New Mexico State Police that demonstrates Operation Interstate Pipeline techniques.

Enforcement activities related to Operation Interstate Pipeline in New Mexico between October 1986 and July 1987 resulted in 104 arrests and seizures of 90 pounds of cocaine, 28 pounds of methamphetamine, 4,811 pounds of marijuana, and 33,000 dosage units of methaqualone. In terms of asset removals, Operation Interstate Pipeline has led to the seizure of 20 vehicles and more than $105,000 in cash. These activities occurred exclusively on Interstate 40.

Two weeks ago, in a recent interception on Interstate 40 in New Mexico, 50 kilograms of cocaine were seized and the driver of the vehicle arrested. A subsequent investigation led to the additional seizure of 110 kilograms of cocaine in Los Angeles, along with $50,000 in cash and the arrest of four more suspects.

MULTI-AGENCY TASK FORCE

Seeking to enlist more state and local involvement in drug investigations, the Albuquerque District Office recently began a Multi-Agency Task Force in Albuquerque. The Task Force consists of a DEA supervisor and two DEA special agents, nine agents from the Albuquerque Police Department, and one agent from the New Mexico State Police. It is anticipated that additional agencies will join the Task Force in the near future. The Task Force began operation in July 1987, and a number of cooperative investigations are underway.

OPERATION ALLIANCE

In August 1986 the Vice President, as head of the National Narcotics Border Interdiction System, and the Attorney General, as Chairman of the National Drug Enforcement Policy Board, announced the commencement of Operation Alliance on the Southwest border of the United States. It is a multi-agency law enforcement interdiction effort aimed at curtailing the flow of illicit drugs from and through Mexico into the United States.

The primary agencies involved in the actual interdiction activity are the U.S. Customs Service, the U.S. Border Patrol, the U.S. Coast Guard, and DEA. U.S. Customs has primary responsibility for air and ports of entry interdiction. The U.S. Border Patrol has been charged with land interdiction responsibility between the ports of entry, and the U.S. Coast Guard has primary responsibility for sea interdiction. Each agency is conducting separate operations as a part of the umbrella heading of Operation Alliance. These agencies are supported by state and local law enforcement agencies in border states and by several other Federal agencies.

DEA has primary responsibility for providing strategic, operational, and tactical drug trafficking intelligence, and is responsible for pursuing all domestic and international drug investigations resulting from Operation Alliance. DEA has committed sizable investigative and intelligence resources to support Operation Alliance.

Operation Full Press, which began last October, is a DEA special enforcement operation conducted with the U.S. Border Patrol and supported by the U.S. Customs Service within Operation Alliance. Operation Full Press focuses on the interdiction of narcotics between and at the ports of entry and the initiation of follow-up investigations and prosecutions.

In New Mexico, DEA is cooperating with the U.S. Customs Service, U.S. Border Patrol and the New Mexico State Police to monitor the borders for smuggling operations. Recently, an Albuquerque DEA special agent was assigned as full-time liaison to coordinate air smuggling activities with the U.S. Customs Service, and four Customs agents in Demming have received full Title 21 authority.

As of the end of July 1987, Operation Alliance/Full Press in New Mexico has resulted in 35 cases, 46 arrests, and seizures in excess of 1,500 pounds of marijuana. These cases also resulted in the seizure of five vehicles and over $785,000 in cash. These cases represent 31 referrals from the Border Patrol and four from the U.S. Customs Service.

CONCLUSION

The Drug Enforcement Administration will continue to address the traffic in illicit drugs as it relates to New Mexico and the Southwest border area with all resources at its disposal. We see our cooperative efforts with Federal, state, and local law enforcement agencies in New Mexico as a necessary part of our efforts to reduce drug trafficking and drug abuse. We realize, however, that control of the drug supply is only part of the solution. The overall drug situation will ultimately improve with the support of the general population in reducing the overall demand for drugs.

Mr. Chairman, I appreciate this Subcommittee's continuing interest in and support for drug law enforcement. I will be pleased to answer any questions you may have.

Senator DOMENICI. If you would, as you testify, introduce yourselves for the record. We are delighted to have you here. Who is going to lead. off?

Mr. BRANON. I will be glad to, Senator. My name is William Branon, special agent in charge of the Federal Bureau of Investigation—the Albuquerque division of the FBI which encompasses the State of New Mexico. On behalf of the FBI, and the Albuquerque division, I want to take this opportunity to thank Senators Domenici and DeConcini and the Senate subcommittee for having me here to discuss the FBI's role in drug enforcement in the State of New Mexico. In the Albuquerque division of the FBI, drug enforcement is our No. 1 investigative priority of the 11 investigative programs which we have. We are guided in the mission by the objectives set forth in the FBI's national drug strategy plans. Our investigative efforts are directed against Mexican drug trafficking groups that are responsible for the importation and distribution of large quantities of cocaine and heroin into the State of New Mexico. Our resources which we devote to these efforts have more than doubled in the last 12 months here in New Mexico. They should enable us to more effectively address drug cases, which we have found extremely manpower intensive.

We have assigned some of our most aggressive and experienced agents in the New Mexico field office to work in drug matters. In addition, we have enhanced our resources in the Las Cruces and Roswell resident agencies, and we have the objective of dedicating one agent in both of these locations to work solely on drug matters.

The investigation of drug trafficking organizations in New Mexico poses a real challenge to us, given the relatively small population of the State, the vast unpopulated areas within the State, and the approximately 187 miles of common border with the Republic of Mexico.

Many of the drug trafficking organizations which we have identified operate out of small towns where the presence of outsiders, including law enforcement, can be relatively, readily detected. Therefore, we must be more innovative to preclude compromising our investigative efforts.

Our investigative efforts are further exacerbated by the long distances we have to travel between towns.

Last, the common border with Mexico provides the drug traffickers with easy and rapid access to their supply sources. Given the proximity to Mexico and the increased publicity about the drug enforcement activities along the United States/Mexico border, traffickers are more inclined to smuggle small quantities—I am echoing what Mr. Lutz said—and thereafter warehousing them in what they call stash houses.

Despite these obstacles, the Albuquerque division has experienced some very notable successes. I have included those in the written statement that will be put into the record.

In closing, I would say the Albuquerque division of the FBI is totally committed to combating the drug problem in New Mexico in concert and partnership with other Federal, State, and local agencies. The drug problem is much too large and severe for unilateral or fragmented enforcement. It's only through joint investigation and the complete sharing of drug intelligenceas advocated by the Operation Alliance concept that we can hope to gain on the drug problem.

In closing I would point out, though, while intensified law enforcement efforts can have a positive effect on drug trafficking activities, the long-term solution is in demand reduction. We have found that the illicit profits associated with drug trafficking are too attractive and oftentimes supersede the dangers and consequences of being caught. Once we track down an organization and dismantle it, another is ready to fill that void. It is, therefore, imperative that we continue to develop an aggressive demand-reduction program and educate the youth of America as to the dangers of drug use and drug abuse.

At this time, I have Mr. Rick Lind, who is chief of our drug desk at FBI headquarters in Washington, DC, and I would like to turn it over to him for some comments on a national scale.

Senator DOMENICI. Welcome, Mr. Lind.

Mr. LIND. Thank you, Senator. As you may know, the FBI serves in concurrent jurisdiction with the Drug Enforcement Administration to investigate title 21 violations, in January 1982. Since that time we have made drug investigations a priority.

When the FBI first became involved in drug investigations in 1982, we addressed that problem without resource enhancement. And I believe we continued to do so for several years, until very recently, when we have received the extra enhancement that we needed to address the problem. In May 1986, Judge Webster authorized the implementation of the FBI's national drug strategy. And in that strategy, we identified three trafficking organizations as the primary drug importation and distribution groups that we wished to address. Those included the LCN/Sicilian mafia, and the Colombian/South American trafficking groups, and obviously, Mexican/Californian drug trafficking organizations.

If you could visualize this map, this chart as it stands right now, this would basically demonstrate what we knew about Mexican drug trafficking organizations several years ago. With the completion of the FBI's national drug strategy, the first thing that we tried to do was enhance and expand our intelligence base. That's extremely critical. If you don't have the intelligence information, it's going to be very difficult to make cases.

The first overlay depicts cocaine traffic routes that have been identified through FBI investigations. As you can see, the vast majority of cocaine emanates from Colombia where it is processed. Seventy-five percent, I believe, of all cocaine is processed in Colombia.

Now, I think recent statistics would indicate that at least one third of all the cocaine that enters the United States enters through Mexico and is transshipped through Mexico.

As we have identified organizations, we now see them expanding into the Midwest, and, obviously, I am sure that there are routes that we have not identified which basically blanket the country.

The blue lines depict heroin networks that we have identified through investigations. As was indicated earlier, Mexico has now become the leading producing country for heroin. And, again, based on investigations, we show drugs—heroin for example—being produced in Jalisco, moving up through Durango, through the State of Sonora or Chihuahua on up into southern California or up through New Mexico into Colorado. And we have also identified several major trafficking routes from deep within Mexico that penetrate Texas and go on up into the Midwest. We have also identified the spread of heroin through our investigations into the States of Georgia and Tennessee.

The green lines depict marijuana trafficking routes that we have identified. And, again, they follow—they tend to follow the same routes as cocaine and heroin. Mexico is a producing country for marijuana, and I think recent statistics say that approximately one-third of the marijuana that enters the United States is produced in Mexico.

Obviously, to be effective, the FBI needs resources. And in fiscal year 1987 we have 1,081 agent work-years funded to address the drug problem. Right now, through this fiscal year, we have in excess—slightly in excess—of 120 agents along the Southwest border.

Senator DOMENICI. Thank you very much, Mr. Lind.

Did you have anything further, Mr. Branon?

Mr. BRANON. No, sir; I will be glad to answer questions.

Mr. MAHER. In interest of time, I'm just going to make a brief statement. I have previously submitted a longer statement which can go into the record.

Before I make any statement, I would introduce Jeffrey Kildow, who is the agent in charge of the DEA office in Las Cruces, assigned here for the last 5 years. The major drugs of abuse are heroin, cocaine, marijuana, and clandestinely produced drugs which are all available for use in New Mexico. While the level of trafficking in New Mexico is certainly cause for concern, we should note that a large amount of the illicit drugs found in this State at any one time are in transit to other places. The DEA, along with State and local drug enforcement units, as well as with our Federal counterparts, are seeking to stem the flow of those drugs. Edification of the law enforcement in the State of New Mexico will hopefully be represented by limiting the supply of drugs until eradication and prevention can be accomplished by reducing the demand for illicit drugs.

I will be glad to answer any questions you have.

Senator DECONCINI. I have a question. Mr. Lind, on the first chart showing Nicaragua and Colombia, is that a trafficking intersection, or is it an active producer?

Mr. LIND. Transshipment point.

Senator DECONCINI. And what is the significance of that transshipment point?

Mr. LIND. As to volume, you mean?

Senator DECONCINI. Yes.

Mr. LIND. As to volume, I can't give you a specific answer. The routes that are depicted on the charts are routes that we have identified through pending investigations, and I am not sure that I can give you exact amounts.

Senator DECONCINI. Is there an organization in Nicaragua that is involved in this, or Columbian transplants, or can you say?

Mr. LIND. I can't say at this point, Senator.

Senator DECONCINI. Is the Government involved in it at all?

Mr. LIND. We have developed no information that would indicate that they are, Senator.

Senator DECONCINI. Now, in Mexico, where the transshipment takes place, those obviously are flown into the United States by some organized Mexican groups——

Mr. LIND. Yes, sir.

Senator DECONCINI [continuing]. In conjunction with the Colombian organization?

Mr. LIND. That is correct.

Senator DECONCINI. And in some instances is it only Colombian groups in Mexico doing the transshipment from Colombia?

Mr. LIND. We have seen an increase in the Colombian presence in Mexico. I think the Colombians are also working in concert with their Mexican counterparts to facilitate the flow of drugs into the United States. Intelligence information that we have received would indicate that to a great extent, once the drugs are in Mexico they are basically handled by the Mexican drug traffickers who move those drugs then into the United States. But there has been a marrying up, if you will, between the Colombian drug traffickers and the Mexican drug traffickers.

Senator DECONCINI. And in Mexico, what evidence do you have of any Government participation or protection for any of these transshipments?

Mr. LIND. I would say that we have received extensive information from other agencies that would indicate that there is, in fact, collusion between traffickers and the Mexican Government officials and law enforcement officials.

Senator DECONCINI. Thank you, Mr. Chairman.

Mr. SKEEN. I was struck by the routings and so forth. We had extensive discussions with some Mexican officials and I still don't get a sense of any real concern, and that's why I asked the questions of Mr. von Raab earlier. But one question that arises in my mind is, what has happened insofar as the importance of heroin in the trafficking picture? Is it in less usage today because of the greater availability of cocaine? I would like to get some idea of the importance of the traffic itself. Heroin used to be a real problem. You hear very little about it today in comparison to the cocaine and marijuana problem. Can somebody give me some kind of idea on this?

Mr. MAHER. Certainly, Congressman Skeen. I think your observations are correct. I think that you have seen less attention to heroin, or you have seen less public attention being given to heroin because of the great amount of cocaine that is around. Similarly, the heroin trafficking pattern, at least as far as the Southwest goes, is indicative of the comments of Mr. Branon. Smaller amounts of drugs being crossed, smaller amounts being distributed. The problem that comes with it, though, is the rise of the Mexican black tar heroin. Even though it is smaller in quantity, it tends to be a lot more potent as far as its toxicity goes. It ranges well into the 90 percent category. And people who are used to using heroin with less potency have seen themselves in serious medical condition through overdose, severe medical conditions, and even death.

I think what is happening is that the stigma of putting a needle in your arm or of moving into the heroin abuse patterns have been somewhat offset by the seeming chicness of using cocaine. Society is not especially accepting of it. I don't know that that drug will ever become a socially accepted drug; whereas, cocaine seems to have moved into that personal pattern, at least as far as some people in this country are concerned.

Mr. SKEEN. I know we are looking for a confirmation of a new FBI director and being a southwesterner, that bodes well for us. At least we take heart from that. We hope that we can get a great deal of attention to this—which we are already getting, we understand that—but it's always a comfortable feeling to have southwesterners who understand our problems because in the area of heroin trafficking, New Mexico has become a real crossroads for the black-tar type heroin. And we have had some real unfortunate problems with that. So it's of great interest to us.

But my perception was that it had become less and less of a problem in relationship to other drugs in the past. And I Just didn't know if I was right or wrong, or whether I was assessing that problem correctly or not.

Senator DOMENICI. Let me ask you, Mr. Maher We gave you some additional money as part of the omnibus funding bill. And we have had a brief explanation by the FBI of where the manpower was allocated with reference to the Southwest. I don't remember exactly how many new people we have given you, but the dollar number that sticks in my mind is something like $60 million. Much of it was for personnel enhancement. What happened to the personnel assignments with reference to this area that we are investigating here?

Mr. MAHER. In the past 18 months we have increased the Southwest border area by 97 permanent special agents. So part of that funding went into those additional personnel. We reassigned other agents that were already on staff or part of our total commitment of 115 agents now assigned along the Southwest border, permanently assigned to positions in the Operation Alliance full press type of operation. By December 1986, DEA will have approximately 2,800 agents full time on staff. This is the largest number of special agents that we have ever had. So that the resources the administration and Congress have been giving are all being processed into the system right now. As these new agents go through the training school, they are allocated to the Southwest border area and to other key areas of the country where we are having some problems right now.

Senator DOMENICI. We are going to submit some additional questions in writing. We would appreciate your answering them within 10 days to 2 weeks. We have a large group of local law enforcement people that we want to devote about 1 hour of this hearing to.

But let me just ask this summary question. of both of you. With reference to the past, there has always been some kind of contention that we don't have the best of cooperation between the various law enforcement agencies even at the national level, much less national with local. Could you share with the committee, with reference to these major new initiatives, the new strategy of the FBI, and the enhanced DEA role. Is there, in your opinion, adequate coordination and sharing of the kinds of things that have to be shared among yourselves as brother Federal agencies; and then give us your quick observation as to how Alliance is working with reference to local law enforcement, with reference to sharing of information, intelligence and general activities, all of which ought to have the same motivation as you indicated, Mr. Branon—which is, we are not interested in who wins, we are just interested in using our resources so that we really focus on this major, major American problem.

Mr. BRANON. If I can mention one thing. I don't mean to correct Mr. Lind, but we have 11 agents in New Mexico solely related to the drug problem. Five or six months ago, I arrived here in New Mexico from the east coast. It's refreshing to be here in the Southwest, because of the cooperative attitude amongst law enforcement agencies, whether they be State, Federal, or local. As far as our agency, we do not institute a drug case in New Mexico without informing them of the institution of the case and the identity of the target. And the same with the DEA, every time they identify a case. We have a very, very close relationship insofar as any prospective case. And I echo what you say: it doesn't matter who gets the credit, just that we lock these people up. And I think DEA feels the same way.

Senator DOMENICI. And could you quickly give us your assessment? We will hear from the local people shortly. But in your short time working together under Alliance, is there, in your opinion, an adequate relationship between Federal and local law enforcement people—State police, county sheriffs, and the like?

Mr. BRANON. I think that relationship is outstanding. And as I said here, I am wondering if there is a drug case that the FBI works solely on its own. I don't believe there is. I believe on all the drug cases we work in concert with local law enforcement and other Federal agencies.

Mr. MAHER. Yes, Senator, to reiterate what Mr. Branon said, drug enforcement is a labor-intensive operation. Between the FBI, DEA, State, and Federal agencies, we put together the required effort to make the program work. The 2,000 pound seizure, the 1,997 pound seizure that was mentioned by Mr. Lutz, is a perfect example of how the team can come together. It started with the border patrol, went with DEA, it went with the Metro-narcotics unit, and the New Mexico State Police. It was taken to its ultimate end with all the agencies pulling together to try to make it work. It's that kind of effort, and only that kind of effort, that's going to make the law enforcement effort work.

To bring up the point of State and local cooperation, I would be sadly remiss if I didn't address the issue of the cooperation of the New Mexico State Police and from the Metro-narcotics unit in this area. Colonel Curran and the New Mexico State Police have been and continue to be one of the biggest supporters of the Federal law enforcement program as far as narcotics in this State. And Pete Hampton, the agent in charge of Metro-narcotics, works hand in glove with our agents, our Federal agents, border patrol, Customs, and INS, to make the drug enforcement in this area what it is. So, as far as the cooperation goes, I don't think we could have better cooperation. And it's only with that kind of cooperation that we are going to get a handle on it.

Senator DOMENICI. Let me make this closing observation. Having seen your detailed maps as to source routes, it's obvious that the distinguished Senator from Arizona, Senator DeConcini, has been right for the last 4 or 5 years. Many of us know that he really has been in the vanguard of saying to the Republic of Mexico that it needs to do more at the very highest levels. It's one thing to talk about our economic joint ventures or our joint responsibilities in terms of our helping enhance their capabilities to make for better living conditions in Mexico and to use their resources in exchange for commerce, but the issue of lack of cooperation on their part with reference to the investigations and information sharing becomes very, very obvious when you look at those maps. Obviously, we know what's happening, but we can't do anything about it. And I think we are going to have to continue in our own way to make them aware of our problem. We are not Secretaries of State; we are not Presidents; but we have to continue to insist that the Mexican Government understand the seriousness of this problem. As you indicated, even with the Colombian problem, they are taking it into Mexico and putting it together to bring it here. We just have to find some way to force that government to understand that we need their help. I sure hope it occurs before it's too late.

In your absence, I said, Senator DeConcini, that those routings, and the information that they have now obtained in their new strategy plan, since Director Webster put it in place, is clearly an indication that you have been right all along, that we must have some cooperation from the Government of Mexico.

I understand the border Governors are going to be meeting in New Mexico. They are not the highest authority in Mexico, but I am hopeful our Governor will bring those subjects up. And if by chance the leaders of both countries join in that concern, I would hope that this issue would not be put under the table, that it would be right up front. And I compliment you for coming together.

Congressman Skeen, your remarks have been right on point. We just can't solve our problems ourselves. We need their help.

I want to say to both agencies, the Federal Government took a long time to come around and give you enhanced resources. We are very committed on this subcommittee, Senator DeConcini and myself, but funds are short, and getting money through the committees and subcommittees is not easy. But, we are going to do our very best to increase, not decrease the funding in these areas that you have spoken about to us today, and in the interdiction area, and for Customs, and your brother agencies that you work with. We understand it's a real war. And we think the citizens of this country would put this very, very high on their list of places where they want our money spent. We don't have to go out and conduct a poll, because it's pretty obvious that they would find this a very good place to use their tax dollars, that is, taking their taxes and making them as efficient and as effective in this war on drugs as possible. We are going to do all we can. We thank you and your agents for their expertise. And we are going to take a 5 minute break so that these weapons can be removed, and then we will reconvene thereafter and try to finish around 12:15. We stand in recess.

ADDITIONAL COMMITTEE QUESTIONS

Before we take the recess I want to place the questions to which were referred to earlier in the record at this point.

[A brief recess was taken.]

[The following questions were not asked at the hearing but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PETE V. DOMENICI

QUESTION:

Can you please give us your assessment of the threat of drugs either being produced or manufactured in and/or transshipped through Mexico?

ANSWER:

The FBI perceives the threat of drugs either produced or transshipped through Mexico as very serious. The border with Mexico is approximately 2,000 miles in length and is a virtual sieve through which illicit drugs pass. Border crossings involving the importation of drugs in many cases occur undetected because of the vast expanse and limited number of population centers along the border. Heightened law enforcement efforts in the Southeastern portion of the United States, in particular, the state of Florida have prompted Colombian drug traffickers to ship more of their finished product via Mexico. It should also be noted that the metropolitan Los Angeles area is located in relative close proximity to the U.S./Mexican border. The greater Los Angeles area is noted for having the largest user population of any city in the country and is on a direct pipeline for drugs which cross the border at Tijuana and Mexicali, Mexico.

The seriousness of this threat is compounded by the number of legal and illegal aliens who enter this country on a daily basis carrying Mexican black tar heroin. These aliens transport black tar heroin in small quantities, however in just that portion of the border known as the Lower Rio Grande River Valley (Laredo to McAllen to Brownsville, Texas) it is estimated some 275,000 aliens (legal and illegal) cross the border daily. The amount of black tar and Mexican brown heroin now available is on the rise as is evidenced by the steadily declining price.

Mexican drug traffickers are using increasingly more sophisticated methods of concealing their product making identification and detection more difficult. Of concern to the FBI is the fact that upon interdiction normally only the transporters (mules) are apprehended while the organization head remains free to continue to operate. Additionally, unless the mules cooperate, the ultimate consignee may not be identified. Even though seizures of cocaine in the thousands of pounds have been affected, the major Mexican drug trafficker writes off the load as a cost of doing business. Thus, the threat remains the same and the trafficker will develop a more ingenuous method by which to import drugs.

Effective law enforcement to include interdiction as part of the formula, coupled with continuing efforts to educate the consumer and reduce demand in the market place will lessen the threat posed by Mexico and other producing countries.

QUESTION:

What major organizations control illicit drug-trafficking through the Southwest United States? What are the trafficking routes most frequently used by these organizations? Has there been a change in the trafficking patterns developed in recent years?

ANSWER:

Raphel Caro Quintero, the Pablo Acosta Villareal Organization, the Herrera Organization and the Miguel Felix Gallardo Organization have been identified as being several of the more significant Mexican kingpins responsible for the importation and distribution of illicit drugs into the United States.

Numerous groups have been identified domestically who work in concert with or independently of these major traffickers. For example, the FBI in Chicago, Illinois, identified Carlos Santiago as a major distributor. Over 120 individuals have been arrested with 75 felony convictions obtained to date.

Drugs cross the border in Southern California and travel to San Diego and on to Los Angeles. Heroin and cocaine continue up the West Coast to San Francisco, Portland and Seattle. Identified routes have documented drugs crossing the lower Rio Grande River Valley to Houston, Dallas, Chicago, Milwaukee, Detroit and Cleveland. Recent trends indicate Mexican drug-trafficking operations are spreading to the Southeast portion of the United States.

Drugs cross the border in Arizona and New Mexico with the ultimate destination usually being the greater Los Angeles metropolitan area.

QUESTION:

What is the FBI's role in Operation Alliance? What is the FBI's role in narcotics enforcement apart from Alliance?

ANSWER:

The primary objective of Operation Alliance initiative is to interdict drugs prior to or upon arrival in the United States. Although the FBI is a participant in Operation Alliance, our role is not that of an agency responsible for interdiction. Those agencies primarily involved with interdiction would include the United States Customs Service, the Coast Guard and the Drug Enforcement Administration (DEA). The FBI will disseminate intelligence information developed concerning drug movement or importation to those agencies primarily responsible for the interdiction effort. Individual cases developed by the FBI may lead to an interdiction effort at which time the FBI would coordinate that investigation(s) with mutually involved Alliance agencies.

Recently, the FBI seized currency in the amount of $2,700,000 from a money exchange located near the border as a result of an ongoing investigation. This seizure qualifies as an Operation Alliance seizure as the money was recovered at or near the border and was identified as drug-trafficking money.

Most recently, based upon information provided by the FBI from a confidential informant, the Border Patrol arrested one individual, seized five aircrafts worth approximately $400,000, 2,600 pounds of marijuana valued at approximately $910,000 and recovered $20,000 in U.S. currency. The seizure was effected in such a way as not to compromise the integrity of the FBI's investigation which is utilizing sensitive investigative techniques.

The FBI will contribute to Operation Alliance in another important area. The FBI will train over 900 Mexican police officers in the next eight years. The effects of this training program will be twofold; the professionalism of those Mexican police officers attending will be enhanced, while at the same time, positive developments will occur through increased liaison. Training will be conducted at the Federal Law Enforcement Training Center in Marana, Arizona, beginning prior to the end of 1987.

Apart from Alliance, the FBI conducts long-term sustained investigations. During these investigations, we employ investigative techniques such as the use of informants, Title III electronic surveillance and undercover operations. An integral part of our strategy is to identify ill-gotten assets for seizure and subsequent forfeiture under the provisions of applicable Federal laws. In conducting systematic, sustained investigations, our goal is to penetrate the structure, organizational operations, hierarchy and financial aspects of Mexican organizations which operate domestically.

QUESTION:

What priority is the FBI placing on narcotics investigations? Does the emphasis currently placed on narcotics differ from that placed on narcotics in the past? If so, why?

ANSWER:

The FBI, since receiving concurrent jurisdiction with the Drug Enforcement Administration in January 1982, has placed a very high priority on drug investigations. In March 1987, the FBI's Drug Program was designated as one of five national priority investigative programs. The remaining national priority programs include Foreign Counter Intelligence, Terrorism, Organized Crime and White-Collar Crime.

The emphasis the FBI has placed on drug investigations has not changed since January 1982. Since that time, the FBI has increased the amount of Agent workyears dedicated solely for drug investigations. After concluding extensive research, in May 1986, the Director authorized the implementation of the FBI's National Drug Strategy (NDS). The NDS refined the Bureau's role in drug investigations by designating Mexican drug-trafficking organizations, as well as Colombian/South American and LCN/Sicilian Mafia drug cartels to be the highest investigative priorities within the Drug Program.

QUESTION:

How many Agents does the FBI have working in the Southwest? How many of those are in New Mexico? How many work exclusively on narcotics? How many in New Mexico?

ANSWER:

The FBI considers the Southwest portion of the country to be that area which includes the states of Texas, New Mexico, Arizona, and Southern California. In the Southwest, the FBI has major field offices located in Dallas, Houston, San Antonio, El Paso, Albuquerque, Phoenix, and San Diego. As of September 30, 1987, 752 Agents were assigned to these offices. Of these Agents, 123 are dedicated exclusively to drug investigations in the Southwest.

There are currently 54 Agents assigned to the FBI's Albuquerque Division of which 11 Agents are dedicated to drug investigations.

QUESTION:

Is the level of manpower devoted to narcotics sufficient? What additional resources are critical to ensure the success of the war against illegal drugs?

ANSWER:

The FBI has identified the Southwest border as a critical area with regard to the Bureau's overall drug enforcement effort. In Fiscal Year (FY) 1987, the FBI devoted 123 Agent workyears to efforts expended for drug investigations in the Southwest.

With implementation of the National Drug Strategy the FBI's programmatic approach to drug investigations has continued. In conducting extensive research into the FBI's Drug Program, we became aware that to adequately address key problems and areas, shifts in manpower resources would be necessary. The goal of the FBI is to concentrate resources in those areas where additional enhancements are necessary. The FBI does plan to move Agents closer to the Mexican border. In certain areas, FBI investigations along the border have been hampered by a lack of sufficient investigative resources. As you know, our field divisions are generally located in major population centers which in some areas are far removed from the actual border with Mexico. However, the border area for the most part is sparsely populated. The identification and the seriousness of the Mexican drug problem will necessitate the deployment of investigative resources closer to the U.S./Mexican border. Several internal studies are currently under way in the state of Texas, in particular our El Paso and San Antonio Divisions, to determine the areas of the state which will likely yield the most impact. Additional studies will be conducted along the other border areas.

I would like to point out, however, that by increasing investigative resources to the border area, the FBI will incur increased transfer costs as well as additional operational expenses.

A key element in addressing this problem is the timely collection, collation, and dissemination of drug-related intelligence information. To ensure intelligence information is handled properly and in a timely fashion, additional enhancements in the number of analysts and data loaders are essential.

QUESTION:

How is the FBI working with other Federal, state and local law enforcement personnel in the fight against drugs?

ANSWER:

The FBI has been an advocate of the Organized Crime Drug Enforcement Task Force (OCDETF) program. We are actively involved in numerous OCDETF investigations with other Federal, state and local law enforcement agencies. Additionally, the FBI is involved in many joint investigations with other law enforcement agencies which do not fall within the OCDETF umbrella. To better coordinate drug investigations, the FBI and DEA exchange information on case initiations. This effort prevents both agencies from conducting independent, duplicative investigations aimed at the same subjects. In many cases, the FBI and DEA participate in joint investigations when it is deemed necessary to devote the resources of both agencies against a significant drug-trafficking organization. As a matter of policy, the FBI shares intelligence information which we develop with other agencies in the law enforcement community. The FBI is an active participant in the Seizure and Forfeiture programs wherein we are able to share seized drug-traffickers assets with state and local law enforcement agencies.

QUESTION:

What is the extent of cooperation between the FBI and Mexican authorities in narcotics enforcement efforts?

ANSWER:

The level of cooperation between the FBI and the Government of Mexico, as well as Mexican law enforcement agencies, has been good on a case-by-case basis. Recently, the Mexican Government provided valuable assistance with the arrest of an American drug fugitive in Mexico. This fugitive was a close associate of the infamous Mexican drug trafficker Raphel Caro Quintero. The FBI provided logistical support on the U.S. side of the border after the Mexican Federal Judicial Police (MFJP) located Pablo Acosta Villareal, a major Mexican drug trafficker, in Santa Elena, Chihuahua, Mexico. Acosta was shot and killed in a gun battle by the MFJP.

The FBI, has for the past year and a half, met with Mexican law enforcement officials at or near the border to discuss border crime problems to include drug trafficking. The relationships developed in some cases have been beneficial as several cases have been initiated but there still exists uncertainty as to generally who can be trusted. At this point in time, the FBI has not divulged sensitive case information to Mexican authorities for fear the case will be compromised. Corruption is pervasive throughout Mexican law enforcement and the motivation of those officials who appear willing to help is not clearly understood.

Recently, Floyd I. Clarke, Assistant Director, Criminal Investigative Division, met with Jose Maria Ortega Padilla, Deputy Attorney General, who serves as the Director of the MFJP. During the meeting, it was agreed to continue efforts to improve the working relationship between the FBI and the MFJP.

QUESTION:

Can you give some examples of some of the narcotics investigations you have been involved with here in the state of New Mexico?

ANSWER:

On May 7, 1987, the FBI culminated a joint investigation with Drug Enforcement Administration with the indictment of seven Mexican nationals who were directing a lucrative cocaine-trafficking group in Albuquerque. The subjects were closely allied with drug traffickers in Los Angeles, California, and in Mexico. At the time three of the subjects were arrested in Albuquerque, one kilo of cocaine and three vehicles were seized. Aspects of this case remain pending.

United States-based members of the Jose Mercedes Aranda-Pando drug-trafficking organization of Ojinaga, Chihuahua, Mexico have been the focus of nearly every local, state and Federal law enforcement agency in

New Mexico and bordering Texas jurisdiction for well over five years. This investigation was culminated with the arrest, by the FBI, the New Mexico State Police and the U.S. Border Patrol of seven subjects involved in large-scale cocaine trafficking operating out of Vado, New Mexico. In addition, approximately 22 pounds of cocaine, with a street value of approximately $1.2 million, was seized, along with seven vehicles, $2,300 in cash, and several weapons including one AK 47. Furthermore, forfeiture proceedings have been initiated on one home, as well as seven thoroughbred horses, one which is valued at $75,000. The Albuquerque Division reports that the positive results of this case are directly related to close coordination among the agencies involved, as well as a commendable rapport developed by the three undercover Agents, one from each agency.

Another investigation in Albuquerque was the Richard G. Canales case which was initiated upon receipt of information from our Detroit Division which indicated that subjects in Detroit were negotiating for large amounts of Mexican heroin with Mr. Canales, who was residing in Artesia, New Mexico. Pursuant to the use of a court-authorized wire communications intercept, six individuals were arrested and four were subsequently convicted. It is interesting to note that one of the Detroit subjects, who had been arrested previously in Pennsylvania in possession of several kilos of Mexican brown heroin, met Canales while both were incarcerated for previous drug violations. The two remaining subjects are in fugitive status and have been located residing in Mexico under the protection of the Pablo Acosta drug-trafficking organization.

Another case worthy of note is the Juan Pedro Lopez matter. This case was initiated on receipt of information from New Mexico state prison authorities which indicated that inmates were operating a heroin distribution network throughout the state of New Mexico while incarcerated. Subsequent investigation by the Albuquerque Division, with the assistance of the Roswell City Police Department, the New Mexico State Police, and the New Mexico state prison authorities resulted in the arrest of Juan Pedro Lopez and three associates when they sold undercover officers a pound of Mexican heroin with a street value of $8.8 million. This investigation resulted in four convictions and is an excellent example of how multiple law enforcement agencies working together for a common cause can have a significant impact on the drug-trafficking problem.

Finally, I would like to mention a case of special significance for it clearly shows how drug-trafficking and the concomitant profits know no boundaries and attract people from all walks of life.

In November 1985, the FBI joined the Albuquerque Police Department in a joint investigation which had as one of the subjects, Boston Witt, a former state attorney general in New Mexico. The case initially focused on the money-laundering activities being carried out by Witt. It subsequently developed into drug-trafficking inasmuch as Witt had contacts with individuals who could provide multikilos of cocaine. As a result of undercover activity, sixteen pounds of cocaine were delivered to undercover Agents by Witt's associates. Subsequently, Witt and nine other subjects, including three Colombian nationals, were convicted.

QUESTION:

Have any of your investigations in New Mexico or other Southwestern states led to the seizure of clandestine laboratories engaged in the production of illicit, dangerous drugs? Have these laboratories been located in New Mexico or other border states, in Mexico, or elsewhere?

ANSWER:

As of this date, the FBI has not seized any clandestine drug producing laboratories in the state of New Mexico. The FBI, during the course of investigations, has seized methamphetamine laboratories controlled by Nickie Scarfo, the reputed boss of the Philadelphia Organized Crime family. Our office in Sacramento, working closely with Drug Enforcement Administration and state and local authorities, seized several working methamphetamine laboratories capable of producing millions of dollars worth of the illegal product. In 1986, our Denver Office seized a heroin-producing laboratory. Most recently, methamphetamine laboratories have been seized in the San Diego area and in rural Kentucky with the latter being operated by an outlaw motorcycle gang.

Additionally, intelligence information has been received which indicates a prominent Colombian cocaine trafficker operates three cocaine-processing laboratories in Mazatlan, Sinaloa, Mexico. Intelligence information further suggests Mexico is becoming an important processing center for the conversion of paste to cocaine HCL.

QUESTION:

What have your investigations indicated as to illegal cash-flow activities associated with drug operations through the Southwest United States? Have any cities in the Southwest proven to be major collection points in the flow of drug money? What have your investigations indicated as to the flow of drug monies between the United States and Mexico? How are the profits generated by illicit drug-trafficking being laundered and transmitted to the source countries or organizations?

ANSWER:

The Federal Reserve Bank has indicated a dramatic rise in the amount of cash on deposit, particularly in banks located along the Southwest border. The presumption of course is that much of this money on deposit is as a direct result of drug-trafficking. FBI investigations have demonstrated that illegally obtained revenues are being used to maintain ongoing drug distribution networks as well as for investing profits in personal and real property. Drug profits are utilized to establish legitimate businesses as a means to further facilitate the laundering of illicit funds. During the execution of a recent search warrant in McAllen, Texas, $2.6 million dollars was recovered in a currency exchange. While the investigation continues, the money has been determined to be drug-trafficking proceeds destined to leave the United States. American dollars leave this country with regularity for the continued purchase of drugs in Mexico. Intelligence information received by the FBI indicates profits from drug sales in the United States are being invested in legitimate businesses within Mexico.

The methods of laundering drug proceeds are really only limited to one's imagination. It can be as easy as transporting the money through an individual's personal luggage to a sophisticated scheme using shell corporations, a multitude of domestic and foreign bank accounts, foreign companies, and/or corrupt banking officials.

Money laundering is a highly specialized function within trafficking organizations. Without the safe return of profits generated from drug smuggling operations, all is for naught. Money launderers "wash," that is, legitimatize money that is considered ill-gotten gain. There are a variety of ways to accomplish this feat. Four of the basic methods are as follows:

a. U.S. currency is physically transported abroad in bulk through the use of airplanes or boats Smaller amounts use personal luggage;

b. Funds are wired abroad after the currency is deposited in the U.S. financial institution. This method almost always requires the use of a corrupt official, whether it be a banker or possibly a stock broker who files the Currency Transaction Reports (CTRs)for the beneficiary. If not, then the money must be covered in some way by a seemingly legitimate front company or wired to a U.S. bank from a foreign account, thus a bypass of the tax laws.

c. Negotiable financial instruments - for example, cashier's checks, traveler's checks, stocks, bonds, or certificates of deposit - purchased in the United States are carried abroad. This method usually circumvents the CTRs.

d. Finally, funds are transferred abroad without involving any visible movement of assets through international channels. For example, launderers may pass drug dollars to legitimate foreign businessmen in the United States, who in turn use the money to buy U.S. goods and services. In exchange, the foreign businessmen transfer an equal amount of money from their foreign bank accounts to those of drug traffickers in certain foreign countries.

QUESTION:

In your view, where do we stand in the war against illegal drugs? What advances have we made, if any, and what more needs to be done?

ANSWER:

Notable successes have been obtained not only by the FBI but also by other Federal agencies involved in drug enforcement. The war against drugs will not be won in a short period of time. What is necessary is a long term, sustained coordinated attack mounted against individuals who comprise and control those major cartels and organizations responsible for the importation of illicit drugs into the United States.

As in any war, it is necessary to identify the oppposition, his/her strengths and weaknesses. An element of the FBI's National Drug Strategy (NDS) was to expand and enhance the intelligence base with regard to major drug trafficking organizations. Since the implementation of the NDS, the FBI has identified key organizations which we are addressing in the high priority areas of LCN/Sicilian Mafia, Colombian/South American, and Mexican drug-trafficking organizations. The expanded intelligence base has enabled the FBI to identify the hierarchy, organizational structure, routes of importation and the financial aspects of major importation groups. The war against drugs cannot and will not be won unless successes are obtained in eliminating the threat posed by significant drug traffickers.

The vast majority of drugs consumed in this country are imported. With the exception of domestically grown marijuana and dangerous drugs produced in clandestine laboratories, U. S. law enforcement agencies face a problem which is external and outside the jurisdictional limits of the United States. In large measure we are waging the war against drugs within or just outside the boundaries of the United States. Simply stated, it is impossible to interdict all drugs which enter this country. This fact is clearly articulated in the steadily declining prices of cocaine and heroin. Increased pressure must be applied by the Government of the United States on those countries in which the product originates with continued efforts to halt production. It is now clearly evident that the economics of some source countries have become dependent on drug production. In Mexico and Bolivia for example, farmers greatly enhance their incomes by growing drug producing crops. Recently, the Government of Colombia declared unconstitutional the extradition treaty which had been signed with the United States. This was done out of the fear and threat of violence exhibited by now politically powerful Colombian traffickers. Unfortunately, many of the solutions to the drug problem are political and outside the sphere of law enforcement activity.

Without a doubt this Nation is better off for the concerted law enforcement effort which has taken place to date. Multiagency coordinated initiatives, such as "Operation Alliance" along the Southwest border and "Hat Trick" in south Florida, have resulted in the seizure of ever-increasing amounts of illicit drugs. While interdiction is not the total solution to the drug problem, each seizure of illicit drugs prevents those drugs from entering the market place. As a follow-up to the interdiction effort, it is necessary to conduct long-term, sustained investigations directed at the highest level of any specific organization. These investigations are manpower intensive, employ sensitive investigative techniques which are subject to close scrutiny and sometimes judicial review. These investigations are very costly and tend to drain the resources of even the FBI. To win any war it is necessary to send well equipped troops into battle. Drug-traffickers' resources are virtually limitless and subject to no oversight. The level of funding to combat this problem is small when compared to the funds generated by drug traffickers.

The drug problem is the most serious crime problem this Nation faces. The United States with all its wealth is the largest consumer Nation in the world. The law enforcement effort aside, demand reduction is an absolute necessity. Drugs are a problem in America because the market place continues to expand. As long as there are users and abusers, drugs will continue to flow into this country. Not only must the youth of this country be educated to the evils of drug usage but also the millions of users that permeate all levels of the American society. The FBI, with other Federal agencies, is a participant in demand reduction programs.

The tremendous profits generated by drug trafficking has led to the creation of a new breed of criminal. These profits and the chance to "get rich quick" have caused many individuals to become involved in drug trafficking who perhaps never before had broken the law or been involved in crime this serious. We must demonstrate to the drug trafficker that by continuing this illegal trade he runs the risk of spending the greater portion or perhaps the rest of his/her life in jail.

The drug problem is unique and unlike most problems this country has ever faced. Drugs are a law enforcement problem, a social problem, a moral problem and a political problem. If one were to submit a "wish list" to combat the drug problem, it would likely include: increased funding for the enforcement and demand reduction efforts, more prosecutors to present and judges to hear cases, more prisons to house those who continue to traffic in drugs and the complete and total cooperation of all concerned.

STATEMENT OF ALAN ELIASON, SENIOR TACTICAL COORDINATOR, OPERATION ALLIANCE

PREPARED STATEMENT

Senator DOMENICI. Could we resume the hearings, please.

I, in error, spoke of our next panel as being the local law enforcement officers, when as a matter of fact our next witness is going to be Alan Eliason, senior tactical coordinator of Operation Alliance. We welcome you here, and then we will hear from our local people. It's a pleasure to have you. We hope you will share your views with us as to what we are doing that is right, and what we might do to improve our situation. Your written remarks will be made a part of the record.

[The statement follows:]

STATEMENT OF ALAN E. ELIASON

Thank you Mr. Chairman. This is my first opportunity, in the role of Senior Tactical Coordinator for Operation Alliance, to present an overview of that operation to a Legislative Committee, and I thank you for this invitation.

As you will recall, Vice President Bush and Attorney General Meese announced the formation of Operation Alliance on August 14, 1986. Alliance is designed to be a permanent hardening of the nation's drug enforcement posture all along our southwest border. Alliance includes both single agency initiatives and multi-agency coordinated efforts involving federal, state and local agencies, all focused on stemming the flow of drugs crossing the U.S. - Mexico border.

The Joint Command Group for Operation Alliance encompasses all of the Federal agencies having major law enforcement responsibilities along our southwest border. Federal participants include the Drug Enforcement Administration, Customs, Immigration and Naturalization Service, Coast Guard, Federal Bureau of Investigation, Alcohol, Tobacco and Firearms, Internal Revenue Service, Marshal's Service, Secret Service and U.S. Attorneys. Each of the four Mexican border states, Texas, New Mexico, Arizona and California is represented on the Joint Command Group by a law enforcement official, selected by state and local officers, as their representative. The state of New Mexico is fortunate to have, as it's participant, Neil Curran, Chief of the State Police. Our Joint Command Group meets at least monthly, to assess the border threat and to enhance cooperative efforts.

As a Joint Command Group, we report directly to the Southwest Border Subcommittee of the National Drug Policy Board. That Subcommittee, Chaired by Assistant Treasury Secretary Francis A. Keating, includes the agency heads of DEA, INS and Customs. The unique feature of this command structure enables we in the field, to address policy issues directly to the heads of agencies, without going through the sometimes tortured bureaucracy of each agency.

Alliance is more than interdiction effort. We want to deny to drug smugglers, the safe routes they have found to move their cargoes, to disrupt their operations, to force them to make mistakes. Through the asset forfeiture programs of DEA and Customs, we want to take away the profits drug smugglers have accumulated. To the extent state and local agencies have participated in specific cases, the assets are shared with those agencies. In other words, we're making the drug smugglers help pay for enhanced drug enforcement. Vigorous prosecution of narcotic smugglers has been enhanced with the addition of investigators and prosecutors all along the border.

Alliance focuses on the Mexican border. We want to be able to tell you what is really happening along this border, where the hot spots are, and to portray to you the reality of the border. When we talk about, Alliance interdictions, we're talking about seizures in the immediate border area, or those with a direct nexus to border operations.

Our intelligence and narcotic seizure reports indicate to us that about 59% of the current flow of marijuana being smuggled across the Mexican border comes into Texas, 29% into Arizona, 11% into California and 1% into New Mexico. With regard to cocaine, we find 54% entering Texas, 25% in Arizona and 21% into California.

Looking back over the first year of Alliance seizure incidents, we have seen dramatic increases in both the number of seizures and the quantity of drugs seized. For statistical reporting purposes, we have accumulated seizure incidents for the full year commencing July 1, 1986 through June 30, 1987. Over that one year period, the combined forces operating under the Alliance umbrella have been responsible for the interdiction of the following:

July 1, 1986 through June 30, 1987

	No. of Seizures	Amount Seized (kg.)
Marijuana	4645	127,380
Cocaine	507	7,457
Heroin	90	38
Monetary Instruments	376	$12,200,056
Vehicles (No. Seized)		2740
Aircraft (No. Seized)		26
Vessels (No. Seized)		22

The participation of agencies not traditionally regarded as drug enforcement entities, has been especially valuable. ATF for instance, has closed 359 of 458 investigations, with over 1200 weapons seized and 362 defendants charged. The link between gun-runners and drug smugglers has long been established and ATF's role attacks that link as well as contributing to the safety of our officers on the line. IRS has recovered $9,456,226.00 in jeopardy assessments, Title 31 forfeitures and other seizures and fines, all related to narcotics trafficking.

The El Paso Intelligence Center (EPIC) maintains a data base in a somewhat different format than we have developed in Alliance, however it is one which is consistent and has used the same collection criteria for several years. EPIC reports the following Southwest land border seizure activity for the six month periods of January through June in 1986 vs. 1987:

January through June

Amount Seized (Kilograms)

Marijuana		Cocaine		Heroin	
1986	1987	1986	1987	1986	1987
31796	77246	570	3208	15.3	38.1

EPIC's data reflects seizure increases of 142% for marijuana, 462% for cocaine and 151% for heroin in the first six months of this calendar year compared to 1986.

As a part of the permanent hardening of our enforcement posture along the border, we have undertaken a number of new initiatives. Among them are the following:

- Border Smuggling Groups, which operate as local Alliance operations, are in place in several border locations. The groups include federal, state and local officers colocated where possible. These Border Smuggling Groups provide the mechanism for local information sharing and expand the investigative capability of all participants.

- Mobile Corridor operations have been conducted along the entire Mexican border over the past six months. Mobile corridors consist of detailed Border Patrol, DEA and Customs Agents, acting as a task force to enhance the drug interdiction capabilities of existing workforces. A typical corridor operation consists of 48 detailed Border Patrol Agents, 14 DEA Agents and 10 to 12 Customs Agents, concentrating on a particular segment of the border for a two to three week period.

- Approximately 2800 Border Patrol Agents assigned to the Mexican border have received training and cross-designation with limited Title 19 and Title 21 Authority from Customs and DEA. The process has enhanced the Border Patrol's ability to detect drugs and strengthened each Agent's search and arrest authority.

- A significantly expanded Department of Defense contribution to the drug enforcement effort. DOD assistance has ranged from loan of sophisticated night viewing devices to portable radar surveillance to flying detection missions in support of Alliance interdiction efforts. Several Border Patrol Sectors have benefited from National Guard support in the form of facility enhancements. The role of the Vice-President's National Narcotic Border Interdiction System (NNBIS) in coordinating requests for DOD support, has been outstanding.

- Incorporation of dogs trained to smell both concealed people and narcotics at Border Patrol traffic checkpoints. One dog, "Barco", has achieved local fame in South Texas and is credited with the discovery of narcotics valued at over $28,000,000.

Certainly, a permanent hardening of our enforcement posture must include additional personnel assigned to the southwest border.

Over the past year, the federal agencies have added approximately 1500 officers to the border in the following breakdown:

U.S. Attorney's	60	Prosecutors
U.S. Customs	974	Special Agents and Inspectors
DEA	133	Special Agents, Intelligence Analysts and related staff
U.S. Border Patrol	200	Agents
ATF	26	Special Agents
IRS	55	Special Agents
FBI	94	Special Agents, including 60 dedicated to major organized narcotic smuggling investigations.

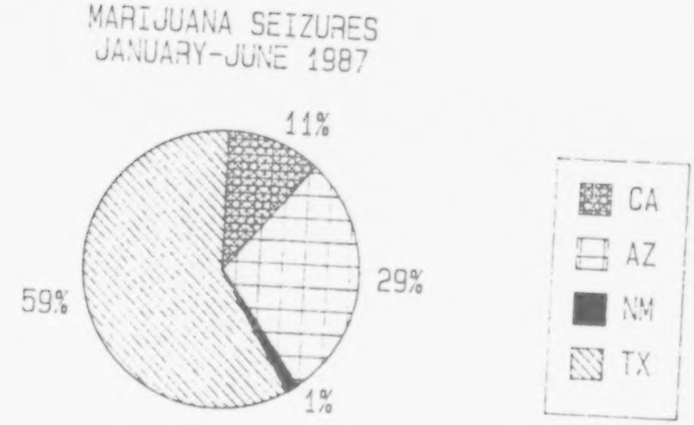
Much has been said, Mr. Chairman, of the Government of Mexico's role in the drug flow across our common border. Certainly we ask for a greater committment and more cooperative attitude than has been exhibited at times. That is not to say there has been no committment, no cooperation. We have had successes, we have had information sharing and cooperative efforts. Drug interdictions in the immediate border area in Mexico, by Mexican officials cooperating with our officers, have over the past year resulted in the seizure of 8900 lbs. of marijuana, 1743 lbs. of cocaine and 10 lbs. of heroin. Those seizures were a result of cooperative trans-border investigations and do not include other seizures made independently by Mexican officials. I think we must all recognize that Mexico has suffered a far greater loss of her law enforcement personnel to the guns of the drug lords, than have we in the United States.

Although New Mexico's southern border is not considered to be the high threat to drug smuggling that we see in other areas, we have found that New Mexico is a significant transit route for drug smugglers moving their cargoes to distribution points. Indeed the New Mexico State Police are credited with developing Operation Pipeline, an interdiction program designed to intercept drugs which have been brought across our borders and are being moved by drug couriers. That program has been expanded to a number of other states and serves as a second line of defense in an overall effort to keep drugs off of America's streets. Eighteen states are now participating in Operation Pipeline and reporting to the El Paso

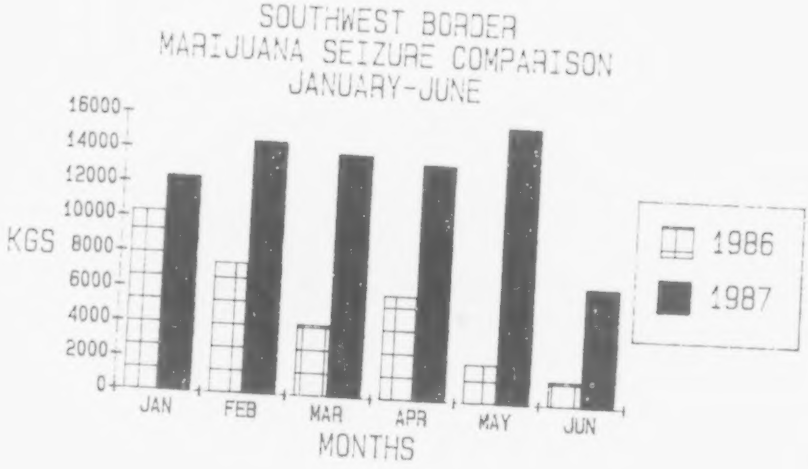
Intelligence Center on narcotic seizures. In the first six months of calendar year 1987 (January - June) Operation Pipeline is credited with the interception of 12856 kilograms of marijuana, 887 kilograms of cocaine, 2 kilograms of heroin and $7,733,593.00 in drug related money seizures.

Mr. Chairman, we in law enforcement recognize that America's War on Drugs will be won, only when all Americans join in saying No to Drugs. Until that day comes, we will continue our battle on the frontlines, trying to stop that flow at our borders.

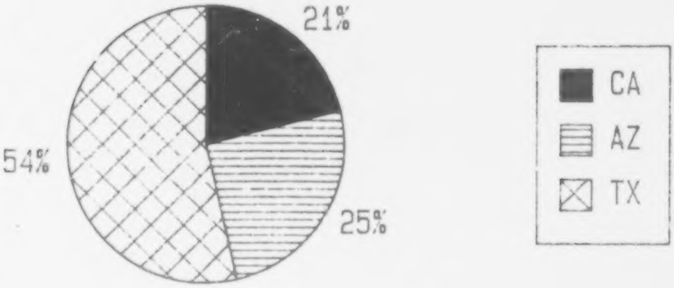
Thank you, Mr. Chairman, and I would be pleased to respond to any questions you may have.

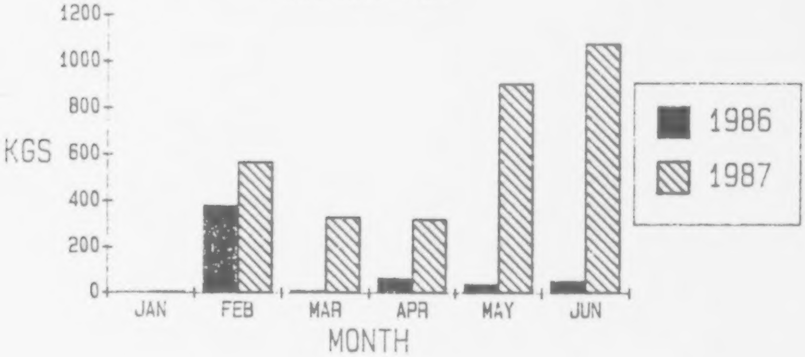


MARIJUANA SEIZURES
JANUARY-JUNE 1987

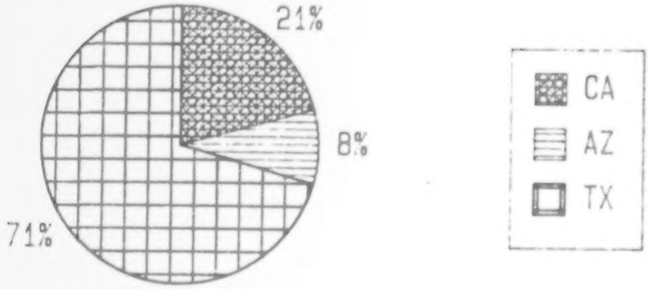


SOUTHWEST BORDER
MARIJUANA SEIZURE COMPARISON
JANUARY-JUNE

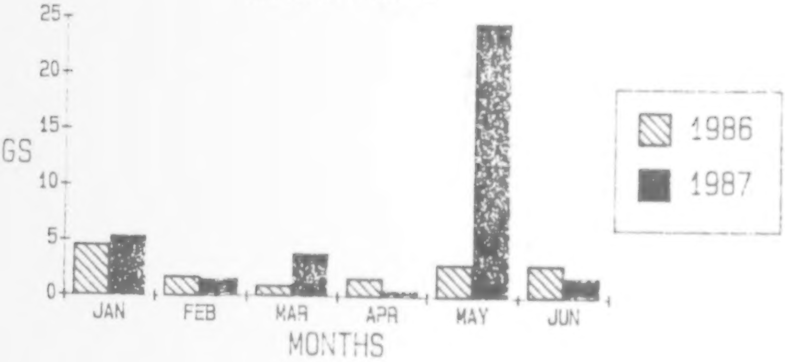

COCAINE SEIZURES
JANUARY-JUNE 1987


SOUTHWEST BORDER
COCAINE SEIZURE COMPARISON
JANUARY-JUNE

HEROIN SEIZURES
JANUARY-JUNE 1987



SOUTHWEST BORDER
HEROIN SEIZURE COMPARISON
JANUARY-JUNE



Mr. ELIASON. Thank you, Mr. Chairman, Senator DeConcini. Vice President Bush and Attorney General Meese announced the formation of Operation Alliance in August of last year. Alliance is designed to be a permanent hardening of this Nation's drug enforcement posture all along the Southwest border. Alliance includes both single agent initiatives and multiagency coordinated efforts involving State, local, and Federal entities, all focused on stemming the flow of drugs crossing the United States/Mexico border.

The joint command group for Operation Alliance encompasses all of the Federal agencies having some responsibilities along the Southwest border—Customs, DEA, the FBI, INS through the border patrol, the Coast Guard, and a whole host of agencies. More importantly, the joint command group is represented by the four Mexico/United States border States. Here Neil Curran of the New Mexico State Police represents this State on our joint command group. And in Senator DeConcini's State, Sheriff Clarence Dupnik of Pima County, AZ, represents the State. And we meet as a joint command group monthly to look at the situation on the border prior to working out cooperative efforts and initiatives which will enable us all to do a better job of stemming the flow of drugs.

But Alliance is more than an interdiction effort. Beyond just stopping drugs, we seek to deny to the drug smugglers these safe routes that they have established over the years, to make it tougher for them to move their cargo into the country. Through the Asset Forfeiture Program of DEA and Customs, we are trying to take away the profits that drug smugglers are accumulating. In other words, what we are trying to do is take the profits from the drug smugglers and use those for enhanced drug enforcement. We seek to share those assets with State and local agencies who have participated in these cases that are being made.

We focus on the Mexican border, but what we want to be able to do is tell you what is happening along this entire Mexican border, what the hot spots are, where the needs are, where interdiction activities need to increase, and where more personnel needs to be committed. When we talk about Alliance interdictions, we are talking about drugs seized on the Mexican border. We are not lumping into those figures the load that got past us on the border and is intercepted on the freeway in Dallas or the highway going north out of Arizona through Flagstaff.

Looking through the first year of Alliance's operation, we have found that we have dramatic increases in the number of seizures and the quantity of drugs seized over the 1-year period of July 1986 through June 1987. The combined forces operating under the umbrella of Operation Alliance on the Mexican border have seized 127,380 kilograms of marijuana in 4,645 separate seizure incidents. We have seized over 7,457 kilograms of cocaine in over 500 seizure incidents. And we have seized some 38 kilos of heroin in 90 separate seizure incidents. In addition, some $12 million in monetary instruments have been seized by these agencies.

Just to give some idea of the comparative increase, we have asked the El Paso Intelligence Center to give us a handle on the comparable period of January through June 1986 versus January through June 1987. We find that the percentage increase in marijuana this year over last year is a 142-percent increase in marijuana seized; a 462-percent increase in cocaine seized; and 151-percent increase in heroin. Again, this is the last 6 months versus this same period 1 year ago.

As part of this permanent hardening of our law enforcement posture along the Mexican border, we have undertaken a number of new initiatives; among them are such things as the formation of what we call border smuggling groups. I think some testimony was rendered in Phoenix the day before yesterday with regard to those operations going on now in the State of Arizona. We are expanding those up and down the border. What we are trying to do is put together operations involving Federal, State, and local officials operating under the umbrella of Alliance, as a local Alliance initiative.

We are now using, and have used for the last several months, a mobile-corridor concept involving a detailing of border patrol agents, Customs, and DEA agents, who work as a task force to augment the existing work force in a given section of the border. Over the last 7 months, we have had mobile corridors in place for at least a 1- to 2-week period of time in all sections of the United States/Mexico border. In some, we have been very productive. In other areas, we have simply proved that that area is not as heavily used by drugtrafficking between ports as other areas. But it is knowledge that we needed to know.

Senator DOMENICI. Would you repeat that again, please.

Mr. ELIASON. In some areas of the border with the mobile corridors, we have significant interdiction success. In other areas of the border, where we have used the corridor, we didn't have any. But that was information that was of some value to us.

Some 2,850 border patrol agents on the Mexican border have been now trained and crossdesignated by both DEA and Customs with limited title 21 authority, which enhances not only their ability to detect drugs but their authority to make an arrest, to make a search and a seizure.

In our border smuggler groups, we now have Customs agents with full crossdesignation from DEA, so that they are full participants in investigative cases that are now being worked together by agents from those two agencies.

We have significant contribution and help from the Department of Defense coordinated through NNBIS, the Vice President's national narcotic border interdiction system. We are acquiring assets from DOD. We are using night-vision scopes and portable radar surveillance instruments, some very sophisticated equipment, which is on loan to the civilian enforcement division by the military, which has enhanced our ability in drug detection.

The question has come up, I think both of you Senators have asked the question this morning, with regard to Mexican cooperation, where do we stand. And much has been said about that over the years. We would certainly ask for more cooperation than we have seen to date. That is not to say there has been no cooperation. I think one of the earlier speakers touched on the issue of local cooperation based primarily on a relationship developed between a border patrol chief or a Customs or DEA special agent in charge who has a relationship with his counterpart across the line. Those initiatives have led to some successes. We have had some transborder investigations which have resulted in seizures in Mexico by Mexican officials before the drugs could cross the border. Obviously, those have not been enough to solve our problem, but it's an initiative we are working on. We are trying to expand. We want more of those, obviously. But it has happened over the past, and we are trying to expand that area.

Senator DOMENICI. Could I stop you there and just ask you a question. Since the President asked the Vice President to set this project in motion, I would assume that the Vice President is familiar with the situation as it pertains to the Republic of Mexico. The last statement you made, "We surely would like to see more cooperation * * *"—I am paraphrasing you—is it fair to say that he is aware of that?

Mr. ELIASON. I made essentially that same statement to the Vice President last May, Senator.

Senator DOMENICI. Do you know whether the President of the United States has been given that information or not? With reference to what you really know, having operated there for even the short time you have been at it, you have to conclude that we are not going to succeed until we get more cooperation at very high levels; is that not a fair statement?

Mr. ELIASON. I can only assume, Mr. Chairman, that certainly the President is aware of the situation.

Senator DOMENICI. The Vice President, in his conversations with you, has indicated his concern with reference to this situation?

Mr. ELIASON. Yes.

Senator DOMENICI. Please, proceed.

Mr. ELIASON. There is other information in my written report, but I think, probably, in the interest of time, Mr. Chairman, I am happy to address other questions.

Senator DECONCINI. Mr. Eliason, I am very concerned about Operation Alliance. Let me compliment you on some of the achievements and certainly for the fact that it appears to this Senator that perhaps for the first time, there is a real coordinated effort among Federal law enforcement agencies on the border. I think your leadership has had something do with that. But after speaking with Clarence Dupnik and several other local sheriffs from the standpoint of local law enforcement, their statements were that the Alliance is for the Federal Government and that Alliance has abandoned them.

We asked them why that was true. They said part of it is due to the fact that there are no resources available for them. We explained that that was not really part of the Alliance Program, but it was part of the omnibus drug bill. Then he got down to the nitty-gritty about planning operations. They indicated that they don't participate in the planning of operations; are not advisory to it, but are just to listen; and they feel that they have something to offer to the Alliance. And as a result of not being involved, at least in Arizona, three of those border counties have put together task forces which deal with the local and Federal law enforcement agencies, usually run by the sheriff in the county. They are most complimentary of the Federal agencies, including the border patrol, DEA, and the FBI—if there are any there—and Customs, of course. They feel they are having some success, but also feel left out from the standpoint of the Alliance.

No. 1, are you aware of it? Please speak up, as I am sure you will. And No. 2, is there any way that the Alliance can be directed to work more with these local county task forces or State task forces?

Mr. ELIASON. Under the umbrella of Alliance, Senator, this is the goal of Alliance, to put into place on the local level the kind of initiatives, local alliance operations, just as Sheriff Dupnik indicates he is putting together. Those are working and——

Senator DECONCINI. That isn't how they see it. They see it as being frozen out from the standpoint of advice and consultation at the Alliance meetings, that there is no planning strategy that they are in involved in. Obviously you have some, and maybe you are not aware of this, but perhaps you should talk with some of these State people on a 1-to-1 basis. Even at the hearings in Tucson and Phoenix, they said that when the Attorney General came, they spent half a day or at least many hours talking about the logo, and that's the advice you asked them about. They were not asked how to form a task force that can do something to block some of these coke points coming across in Cochise County. Now, that's the nitty-gritty. I don't say this to be critical of you, I say this as an offer. It looks to me like something was left out.

There was another sheriff, I don't remember where or when, but he went to the first Alliance meeting, and asked if there was to be any planning. He was told, no, we are not going to do any strategy. He started to pack up his suitcase or briefcase, and you or somebody is supposed to have said, wait a minute, we are going to involve you guys, you don't need another meeting. They have been down that line with Customs and DEA along the border, without anybody talking to them or working with them. They are doing it now, but the Alliance seems not to be involving them in the strategy. And I am passing that along to you.

Mr. ELIASON. The one initiative that we do try to plan ahead of time is that which meets Sheriff Dupnik's needs, obviously, is the use of mobile corridor, which, of course, is a commitment by the agencies. The border patrol puts in some 48 people, Customs and DEA each about 10 to 12 agents. The mobile corridor is one which we move up and down the border. And we have consistently solicited local input as to areas where this would be most effective. The mobile corridor is not the answer to stopping drugs, it's an augmentation of those resources already in place in the various areas along the border. And we have discussed this many times with Sheriff Dupnik.

Senator DECONCINI. Are you telling me that you asked for Sheriff Dupnik's and other sheriffs from Arizona point of view? Where do you think we should put these?

Mr. ELIASON. We have discussed the use of it.

Senator DECONCINI. You have discussed this and he said, I think it should be located along those border stations between Nogales and Gadsden?

Mr. ELIASON. Yes; that doesn't mean we are going to put it where he wants. We have input from a variety of sources.

Senator DECONCINI. I rest my case, Mr. Eliason. Some of these guys don't feel that they are anything but advisers. Maybe you don't have the capacity to give them that real coordination, but it seems to me that that coordination has really been put in place between the Federal agencies and that is a positive thing from the Alliance. But the area that I think needs attention is bringing it into the local level.

Mr. ELIASON. We are.

Senator DECONCINI. Let me ask you something else. You mentioned the Department of Defense and the cooperation that you have had from them. Have you been able to do anything to involve the National Guard units in the States? We heard this morning that the problem with that was mainly funding, who is going to pay these helicopter surveillance units to do training down on the border, assuming they could be integrated for communication purposes. Has anything come of that?

Mr. ELIASON. I am not aware of any situation where National Guard forces per se have been on the border in any kind of enforcement posture, but they have been of significant assistance to us in a number of areas in facility support.

We have now had at several of our border patrol sections, National Guard units come down in their 2 weeks training situations and have built facilities for us. Facilities that our budget did not accommodate. We have had several paving projects. We have an operation being planned now in Texas where a National Guard unit is going to do some extensive work on signs, cutting roads that traditionally the border patrol use in remote border areas.

The Arizona National Guard did some training missions with their mobile radar units down on the border near Ajo and Lukeville—and I am sorry, I haven't followed up myself, so I am just as delinquent as anybody to see why they didn't pursue that at a greater extent. I expect it was money. I was talking to General Oman, and he was enthusiastic about doing this, and being involved. He thought he could get two whacks at it, one in training nighttime and also training in overnight formations. And they did encounter some aircraft coming across there which they did turn over to Customs. And I just wonder if it has any merit to it. I am not saying it does, I am just suggesting it seems to me that Customs would benefit from that in their air interdiction program.

Senator DECONCINI. Let me ask you one last question. With Customs now clearly as the lead agency on air interdiction and the interdiction program, do you believe that there is a close enough coordination between Customs, DEA, the FBI, and the border patrol as to following cases after they have crossed the border? Is there benefit in not making the arrest there when you can easily make the arrest?

Mr. ELIASON. With regard to the followup of border seizures?

Senator DECONCINI. Followup drug investigations.

Mr. ELIASON. I think we do now have the mechanism that does. I feel that crossdesignation and crossdeputation is working. It is not completed. We are still, in some areas along the border, developing the local groundwork that will be incorporated by both DEA and Customs.

Senator DECONCINI. Assuming that works, what about the great emphasis that the border patrol has placed on narcotics and the success you have had? By the way, I know you are from the border patrol, and it's a real credit to the leadership of the border patrol to turn their efforts over when they have, in the past, been somewhat reluctant to do so. Maybe they didn't have the resources for a direct approach or response to it. What about some consolidation of these border agencies now that border patrol is deeply involved in the Narcotics Interdiction Program at the border? Customs is the lead agency. Do you think more could be done? I am just looking for advice because a few years ago, I was convinced that combining those agencies on the border was not in the best interest of interdiction. But now, with the border patrol taking such aggressive action in the area of drug interdiction, I am having second thoughts about it. I wonder if you would comment.

Mr. ELIASON. Customs has many, many investigative responsibilities, you know, beyond just drugs. It's a major part of their role, but certainly all of these other issues with regard to import-export laws have to be handled by Customs. So, I think, we need them as an entity. If you look at the reality of the border—and my 29 years on the border have told me repeatedly, if we are going to deal with illegal drugs coming across that border, we have got to look at the whole of it. And the whole of it includes illegal entry even though it may be an alien just coming to work. There is simply no way to say we are going to attack drugs but we won't worry about illegal aliens. Not all illegals smuggle drugs, but they provide the cover. They provide the means by which drug smugglers can get their drugs across. So I think we need INS, the ~~border~~ patrol on that border with this dual mission, now, of drug interdiction and stopping the flow of illegal aliens. I don't see consolidation of border forces as any kind of maneuver that would enhance this Nation's ability.

Senator DECONCINI. Thank you, Mr. Chairman. I will submit some other questions.

Senator DOMENICI. I think that we had to get this on the record. This is our only opportunity to ask these questions of you, having heard the complaints at the local level. So I think the time is well spent. And I want to assure our local people that you are going to be heard even if we go an extra half hour and cut our lunch break. In any event, I hope you will bear with us.

Let me, just on your last point where you were talking about perhaps there being no need to be consolidated. I suggest to you another area you might look at, because it might change at least your thoughts on this. I think you ought to talk to some of the users of the border for legitimate purposes. The commercial people that use the very busy border stations—and as you know some of them are adequate, many of them are very inadequate—but it does seem to me that when you have a clotting point at the border, the U.S. Government has three involvements: we have the Immigration people; we have the Agriculture Department; and then we have Customs. But for those people who are legitimately using the facility, they are not interested in the various assignments of the three agencies. What they are interested in is how do you do your two jobs—trying to keep illegal things from coming in, and yet expediting what's legal.

And frankly we heard enough complaints in Arizona about that, that it seems to me that you might take a look at a couple of those very busy crossings—whether it would be worth your while or one of your assistants or somebody that you would direct—to spend a couple of weeks to see the disparity in their assignments versus the flow of traffic—why there is a great deal of confusion and consternation. People are angry at each other. They don't quite understand the roles, and they think it's Customs when it's Immigration that's botching it up. Or somebody is taking a recess, and they think there ought to be a Customs official there doing their job. And they probably don't know that it is an Immigration official who has worked all night, and this is his break. And that's causing some real concern from what we have heard.

I am not suggesting it would have a great impact on illegal trafficking, but I think the time may be ripe to take a look at it, even if we were to experiment at a couple of stations. We have a lot of problems. We have members on our committees that don't want to hear problems. They want to watch over their agencies. Justice wants to run Immigration. And Treasury wants to run Customs. We understand that.

Let me follow up on Senator DeConcini's questions. We are going to hear from local people shortly, but it seems to me that the little bit I heard in Arizona from the local sheriff-type operation was actually twofold. One we already heard a bit of, and that's lack of resources. And there is some concern on their part, if you are having this great effort, why don't you give us money so we can do our job with the Feds. We expressed our concern for their plight as Senators, that we wished they had more resources, but we are also pretty aware of the fact we're not going to be able to start another major program in cost sharing. And we couldn't keep it to the border if we tried. If we think the only local law enforcement people that are short of resources are along this border, all we have to do is conduct one of these hearings in Wisconsin or Minnesota, and we will find there is a shortage of money at the local law enforcement level there also. So that was one.

The other, it seemed to me, Mr. Eliason, had to do with the extent to which local law enforcement people are involved in actual operational planning and execution. And at that level, we did hear some say that they were not involved sufficiently, in their opinion. Now, I haven't passed judgment on whether there is a confusion between the two, that it's the lack of money that is causing the concern and that they think that we should be giving them money, or whether clearly you are not, and the FBI and the others are not getting down at the grassroots level, and using them as part of the day-to-day operation. And that's why we are trying to suggest to you what we heard. We hope you will look into it, because we think Alliance has a great opportunity and has a great chance of success, and we don't want local law enforcement people to feel that it's going to be principally a meeting society, and the Feds are going to do most of the work, and they are going to be left on the sideline when they have a very vital role to play. So, I just give you that as my observation as I saw it.

Mr. ELIASON. I appreciate your concern.

Senator DOMENICI. Let me close with you by encouraging you to continue with your efforts. And surely we hope that you will push the executive branch at the highest level to continue adequate funding and to continue our efforts to get better support internationally in the interdiction effort.

STATEMENTS OF:

ROBERT KEMBLE, SECRETARY, NEW MEXICO DEPARTMENT OF PUBLIC SAFETY

NEIL CURRAN, CHIEF, NEW MEXICO STATE POLICE

COONEY SARRACINO, SHERIFF, DONA ANA COUNTY

FREDERICK G. GIFFORD, SHERIFF, LUNA COUNTY

LLOYD V. PAYNE, SHERIFF, HIDALGO COUNTY

PREPARED STATEMENTS

Senator DOMENICI. Now, can we have the local panel. If they will come up and get started. We are honored to have Robert Kemble, secretary of New Mexico's new Department of Public Safety. Neil Curran, the chief of New Mexico's State Police, and also, New Mexico's representative to Operation Alliance.

Following the chief, we are going to have sheriffs of the three border counties, and I think they are all here. From Luna County, we have Sheriff Gifford. Sheriff Sarracino from Dona Ana County, and Sheriff Payne from Hidalgo County.

Let's proceed in the order that I called your names. We will do it that way. For starters, we welcome all of you.

We will insert all the statements of this panel in the record. Mr. Secretary, will you please proceed.

[The statements follow:]

STATEMENT OF ROBERT KEMBLE

Mr. Chairman, Members of the Committee, my name is Robert Kemble, I am the Cabinet Secretary for the newly formed Department of Public Safety of the State of New Mexico. The Department was only implemented seven weeks ago, on July 1st of this year. Although I was appointed as the Secretary-Designate in late April, most of my time between then and July 1st was spent, without staff, doing the background research and review necessary to prepare me for this position.

In short, I do not pretend to bring in-depth expertise on the subject at hand—at least, not on this occasion. I have received my share of briefings on the subject of narcotics, drug enforcement and our interdiction efforts along the U.S./Mexican border. Also, last week I took part in an aerial reconnaissance of the entire New Mexico/Mexico border to become closely familiar with the terrain. But I will defer to Chief Curran of the New Mexico State Police Division and Major Wickard of the Narcotics Bureau to offer truly experienced observations and up-dates.

In-depth experience, however, is not essential to recognizing the continuing need to focus on drug-related problems. The threat to our state is enormous. In New Mexico drug abuse, as in the nation, is our number one health problem--especially with our youth. The only age group in New Mexico which has had an increasing death rate over the past ten years is 15 to 24-year olds. The major cause of death is strongly correlated with drug use. Forty-six percent of all suicides, 51% of all homicides and 64% of all fatal accidents are attributed to drugs.

Furthermore, New Mexican youths are admitting to the use of drugs at alarmingly younger ages; e.g., 42% of sixth graders surveyed in various studies reported the use of some type of drug. Marijuana is reportedly being used on a daily basis by about 3% of seventh graders. Twelve to 16% percent of sixth to eighth grade students are involved in inhalant solvent abuse. Cocaine is reported as being used by 10% of high school students, while 22% are also experimenting with hallucinogens. In 1984 and 1985, 42% of all children admitted to state-funded substance abuse treatment programs were under 18 years of age. ___ percent of our prison population have records of drug use. In short, our youth in New Mexico stands in danger.

It is also evident that as the drug trafficking shifts from Southeast to Southwest United States, New Mexico becomes one of the principle corridors for both ground and air entry. We need not rehearse here the topographical nature, the vast remote areas, and other factors which make policing of this problem difficult.

Nonetheless, my staff is firmly convinced that some highly useful steps have been taken during the past two years--and in large measure due to your endeavors. Among, their observations are as these:

1). Operation Alliance has clearly been helpful, not only in enhancing law enforcement capabilities, but also in inducing much closer coordination between law enforcement entities. We believe Operation Alliance should be continued and strengthened.

2). The Federal Asset Forfeiture Fund Program actually has greater opportunities than we in New Mexico have exercised and admittedly we need to avail ourselves of its advantages more than we have. On the other hand, the asset-sharing program can use, in our observation, some administrative streamlining. Nevertheless, we strongly endorse its continuation and full funding.

Chief Curran and Major Wickard may choose to amplify those points in their testimony.

I can also offer today some understanding of how the Department of Public Safety (DPS) concept is being implemented in the State of New Mexico and what resources it can apply relating to the drug-related problems under discussion here. To that end, I have attached organizational charts for your later perusual, which I will not review with you at this time.

What I think is worthy of note today are simply a few generalities. The Department is basically organized around five sub-divisions--three of which are operational and training in nature and two of which are largely support/service bureaus. Organizationally, we have removed some excess layers in the chain-of-command of the State Police Division which should, in turn, permit the Chief and his top staff members to have much more direct control and supervision of their field units. Otherwise the twelve State Police district commands--four of which lie adjacent to the United States-Mexican Border will operate much as in the past.

There is now a centralized Special Investigations Division in the DPS. That Division is charged with complementing the criminal investigation capabilities of the State Police and Attorney General's Office and enforcing liquor and gaming laws. Importantly, the Division includes an intelligence-gathering and analysis bureau (incorporating the staff of the Commission on Organized Crime) which should in time serve as a clearing house for criminal-related intelligence for the entire state.

Law enforcement and public safety training activities have been strengthened in the new DPS by combining the former New Mexico Law Enforcement Academy and the State Police Training Bureau. Within its overall mission, the new Training Division will be expected to provide more responsive specialized training, some very applicable to the issues under discussion today.

We believe that these three improved operational capabilities, (namely: 1) State Police operations under direct supervision by the top staff; 2) a centralized investigative and intelligence-gathering unit; and 3) a more comprehensive and responsive training division) can be proficiently applied to the task of controlling narcotics trafficking in general and border violations in particular.

Indeed, the Department of Public Safety concept and operational capabilities were unexpectedly tested due to the escape of seven maximum-security convicts from the Santa Fe prison on July 4th--three days after the Department went into effect. With the solid cooperation of city, county, state and federal authorities, that operation was successfully completed in 22 days with the recapture of all seven convicts. Lessons were learned for the future, especially relating to command, control and communication coordination. Yet, it was evident that the Department of Public Safety was able to bring to bear broader resources and more quickly than had been the case in the past. This was largely due to the cabinet-level authority of the Department of Public Safety and the easier focus of those several resources under the direction of one office.

How, and how well, we can translate the cabinet-level authority and the coordinating capabilities of the new Department to addressing the issues before this Committee today, frankly, has not yet been completely thought through. Nonetheless, we believe considerable potential is there and, as we continue to learn more about ourselves and the problems facing us, we will be able to improve our capability in these and other law enforcement areas.

Thank you for your invitation to speak with you today, I will be happy to answer any questions. As I mentioned, Chief Curran and Major Wickard will be prepared to provide you more specific information.

STATEMENT OF NEIL W. CURRAN

It is a pleasure to appear before this subcommittee, on behalf of the Department of Public Safety, New Mexico State Police Division, to testify concerning the status of federal, state, and local drug enforcement and interdiction efforts along the southwest border.

Our intensified law enforcement efforts and the establishment of the Vice-President's drug task force in south Florida has forced drug traffickers to alter their methods of importation from the southeast to the southwest, utilizing the Republic of Mexico as a depot for controlled substances which are diverted from Columbia and other South American countries.

The southwest borders of California, Arizona, New Mexico, and Texas, have once again emerged as a popular route for drug traffickers. These borders contain vast areas of uninhabited terrain. The mountains along the border in New Mexico run from north to south well into Mexico, which prohibit the effective utilization of radar; consequently, there are numerous ground and air corridors which the drug traffickers are utilizing to import controlled substances from the Republic of Mexico into the United States.

As you know, Operation Alliance is a long-range operation to curtail, on a continuous basis, the interdiction of controlled substances in the United States along the southwest border from the Republic of Mexico. As a result of the federal initiative in Operation Alliance, state and local agencies have created a New Mexico Task Force, Operation Alliance, which involves state and local law enforcement agencies along the southwest border and Albuquerque Police Department which will include state prosecutors (District Attorneys) who will be prosecuting cases generated by this enforcement initiative. I have been assigned to represent the State of New Mexico on the joint command group and have actively participated with the joint command group as of June 18, 1986, in the planning of the Southwest Border Initiative.

The New Mexico State Police Division has combined resources with federal, state and local agencies, including the Las Cruces/Dona Ana County Metro Unit, Las Cruces, New Mexico, the Southwest Border Initiative (Operation Alliance), the Drug Enforcement Administration/Albuquerque Drug Task Force, Albuquerque, New Mexico, working very closely with intelligence groups such as the Rocky Mountain Intelligence Network, Albuquerque, New Mexico, and the El Paso Intelligence Center (EPIC), El Paso, Texas.

Once Operation Alliance is in full operation, increased intelligence should result in an increase in arrests of drug traffickers and other criminal violations which in turn should result in state and federal prosecution. The overall goal of Operation Alliance is to develop strategy to allow for increased controlled substance enforcement participation by federal, state and local agencies; providing resources, training, and intelligence to concentrate on more complex investigations which are by nature multi-jurisdictional.

As a result of the federal initiatives, the State of New Mexico has received additional resources of manpower and equipment. The resources assigned to New Mexico by U. S. Customs include 49 Special Agents from U.S. Customs Service, Air Support Group, Albuquerque; 12 U. S. Customs Special Agents in Albuquerque for special investigations; and 6 U. S. Customs Special Agents in Deming--the southwest border.

The U. S. Customs Service, Air Support Group, at Albuquerque includes a Blackhawk helicopter, two King Airs sensor-equipped, several other fixed-wing aircrafts which enhance the interdiction capability of the U. S. Customs Service, Air Support Group, at Albuquerque. The state and local law enforcement agencies within the State of New Mexico depend greatly upon the U. S. Customs Service, Air Support Group, at Albuquerque, not only in conducting interdiction cases which involve aircraft, but also on air to ground surveillance along the southwest border and throughout the State of New Mexico. We in state law enforcement deeply appreciate the federal commitment to the enforcement of the Controlled Substance Act along the southwest border.

The U. S. Customs Service, Air Support Group, at Albuquerque have met with New Mexico Representatives of Operation Alliance to coordinate their efforts for enforcement of the Controlled Substance Act. As a result of the Southwest Border Initiative, the U. S. Customs Service, Air Support Group, provided instructions to the New Mexico State Police, Uniformed Bureau personnel, on how the New Mexico State Police could assist them in air interdiction from the southwest border. As an example, Officer Mullins, NMSP, Animas, submitted a request asking that additional equipment and manpower be made available regarding air interdiction travelling north through the Animas Valley. One result of this request was detection of an aircraft by a County Sheriff's Officer travelling north to the Animas Valley, which was intercepted by the U. S. Customs Service, Air Support Group, in Arizona, loaded with marijuana. These programs are cost effective requiring little or no expense to the New Mexico State Police.

The U. S. Customs Service, Southwest Region, Houston Texas, has provided additional equipment to law enforcement agencies throughout the State of New Mexico along the southwest border. The most useful piece of equipment provided are DES 32 Channel Motorola radios, which have the ability to transmit by utilizing repeaters direct to the U. S. Customs Service command center at Houston, Texas. One of these radios installed in a Hidalgo County Sheriff's Department unit, ultimately resulted in the substantial seizure of marijuana and the arrest of traffickers.

In conjunction with the Drug Enforcement Administration, Washington, D. C. and Albuquerque, New Mexico, the New Mexico State Police co-sponsored an Operation Pipeline (Uniformed/Highway Patrol Officer Drug Interdiction) Seminar on September 23-24, 1986, in Albuquerque, New Mexico. The seminar was for managers and training personnel of State Police and Highway Patrol agencies of states that are affected by the influx of cocaine, marijuana, and heroin from the Republic of Mexico.

The focus of this seminar was towards implementation and expansion of highway drug interdiction programs and closer coordination and cooperation between the states and federal law enforcement agencies bordering Mexico. Mr. John Lawn, DEA Administrator, Washington, D. C., provided an overview of the drug problems from the federal standpoint. We were most fortunate to have 33 state law enforcement agencies and numerous local agencies to include all federal agencies present during the seminar.

One might ask, how does Operation Pipeline coincide with the Southwest Border Initiative? Once the controlled substances penetrate the southwest border, it is transported throughout our country on secondary and interstate highway systems. Therefore, since early 1984, there has been a concentrated training effort by the Drug Enforcement Administration, the New Mexico State Police Division and other law enforcement agencies in Louisiana, New Jersey, and Illinois. In conjunction with these training programs, we have implemented procedures to follow up the initial stop with conspiracy investigations involving multi-jurisdictions throughout the United States and other countries.

I illustrate the success of Operation Pipeline, on August 4 and 5, 1987, as follows:

(1) The New Mexico State Police seized 110 pounds of cocaine on interstate 40 in Torrence County, resulting in the arrests of three co-conspirators in the State of California and the seizure of $70,000 and an additional 200 pounds of cocaine on August 6, 1987. The investigation revealed that contraband was brought to the United States and into the State of Arizona from the southwest border then taken to California and destined for New York via secondary and interstate highway systems.

(2) On August 4, 1987, the New Mexico State Police Division seized 49 pounds of marijuana on interstate 40 resulting in arrest. The intelligence obtained revealed the contraband was transported into the State of Arizona across the southwest border and destined for the eastern seaboard states via the interstate highway systems.

Through coordinated efforts with state, federal, and local agencies, we have dramatically improved our ability to detect, investigate, and prosecute major drug traffickers within the respective states. The uniformed divisions of the states involved have developed and implemented programs on both the civil and criminal fronts to destroy the economic base of the drug traffickers' network. Example, in late 1985, the New Mexico State Police seized 89 pounds of morphine base, which could produce approximately 110 pounds of pure heroin. By coordinating the investigation with other federal law enforcement agencies, the Drug Enforcement Administration in New York developed a conspiracy case which identified co-conspirators of the original French Connection Trafficking Organization.

As you are aware, illegal drug use in the United States and New Mexico continues to escalate despite federal and state government policies of drug and narcotics enforcement. To effectively control the ultimate distribution and consumption of controlled substances, it is mandatory that all agencies cooperate and coordinate investigations of common interest in our uniformed bureaus and by state, local and county agencies, providing resources, training, and cooperation and coordination with the federal agencies to allow a concentrated effort on conspiracy investigations which are, by nature, multi-jurisdictional.

I strongly feel we could use federal support in the following areas:

(1) Streamlining of the procedure concerning the Federal Asset Forfeiture Act;

(2) Continuing on a long-range the concept of Operation Alliance;

(3) Establishing a federal district judge and a federal assistant U. S. attorney's office within the District of New Mexico at Las Cruces to actively pursue the increased case load resulting from the above described initiatives.

(4) Continuing the Anti-Drug Abuse Act enacted into law on October 27, 1986, at the same level of funding to allow for a continuous long-range program in combatting drug interdiction along the southwest border.

The State of New Mexico will receive approximately $1,400,000.

I would like to take this opportunity to express my appreciation to the federal government in allowing me to participate in the joint command group of "Operation Alliance". This assignment to the joint command group provided the State of New Mexico the opportunity to share our concerns with the federal government and enhance our ability in combining our resources to effectively identify the problems which exist along the southwest border as it relates to drug interdiction and other criminal activities, establishing priorities and most importantly, enhancing our ability to communicate effectively throughout the law enforcement communities, federal, state, city and county.

STATEMENT OF COONEY SARRACINO

In the early 1970's, Metro Narcotics was established by the Las Cruces Police Department, the Dona Ana County Sheriff's Department, and the Third Judicial District Attorney's Office. It was established to fight the drug problem in Dona Ana County. They were first funded by grants from the Law Enforcement Assistance Administration. Eventually, New Mexico State University participated by helping to fund the Metro Narcotics Division. The responsibility of this agency was approximately 3,806 square miles having approximately 50 miles of Mexican border in the southern end of Dona Ana County.

Within Dona Ana County, there are approximately 20 clandestine air strips which are being used by aircraft to smuggle narcotics into this area. There is also an undetermined amount of both developed and undeveloped roads which are used to land these aircrafts. This area still has a problem with organized groups of individuals utilizing sophisticated electronic equipment for monitoring law enforcement communications in the planning of their illegal activities. These organizations are using this area as a home base for the smuggling of substances from Mexico and the shipment of these substances to other areas within the United States.

At the local level, there is not just a problem in the Dona Ana County area of smuggling by air, but there is also a large problem of ground interaction. This is virtually due to the lack of personnel from all agencies to cover this border area and to investigate the organizations involved in the smuggling.

For these reasons, I am opposed to making the southwestern end of Dona Ana County (the Potrillo Mountains) into a wilderness area. This would greatly hamper the ability of law enforcement to patrol and set up surveillance along the Mexican border. My agency and other agencies in this area do not have the resources to be able to patrol this area and abide by guidelines and rules set up by the government in using the wilderness areas. We also have a medium security penitentiary west of here in which two inmates escaped and headed south to Mexico presumably through this proposed wilderness area. This would be a haven for escapees and smugglers if we were restricted from being able to enter and patrol this area properly. Therefore, in order to enhance law enforcement in this area, we need not only moral, but financial assistance to fight drug smuggling in the southern end of Dona Ana County.

I want to thank you for the opportunity to speak at this hearing to express my opinions and concerns on drugs in this County.

STATEMENT OF FRED G. GIFFORD, SHERIFF, LUNA COUNTY

I am sorry my testimony could not be sent to your office on a more timely basis as requested in your correspondence. However, I returned from vacation in late July and have not had enough time to prepare this testimony as well as I would like and take care of some pressing matters in my department. Consequently, this report will be a few days late.

I am greatful for the opportunity to express my feelings to you about some of the problems we are facing along our border with Mexico. As you are probably aware, Luna County has approximately 54 miles of border with Mexico. We also have a 24 hour/day Port of Entry at Columbus. I have received some information that Palomas, Mexico (across the border from Columbus) may become a center for drug smuggling in this area. I also have information that there are several air strips across the border in Mexico that are used by air smugglers to distribute drugs into the United States. The topography of Luna County makes it easy for aircraft to fly into New Mexico undetected by radar, land on a remote strip, and leave again. The Luna County Road Department and the New Mexico State Highway Department have almost completed the 17 mile Luna County portion of the Columbus-Anapra Road Project, which parallels the Mexican border approximately 1-1½ miles from the border. This piece of road has the potential of becoming a fast route of travel to move drugs into this country. There are also many holes and openings that have been cut in the border fence which allow the movement of vehicles and people at other than the Ports of Entry. Consequently, we have drugs being brought in by pack horses, back packers, and vehicles. My department is undermanned and our county does not have enough money to make a concentrated effort on drugs. Therefore, I was glad to see Operation Alliance begin. So far we have received excellant co-operation with all of the participating agencies and have received two customs radios that have helped us work together more closely. I have submitted requests for several other items that I felt would help our department be of more assistance to the federal agencies, but we have not received them yet. I especially think a small confiscated aircraft would be of great help in this area because it would allow us quick access to many remote areas and help with servailances. I have a deputy in my department who is a licensed pilot and A & P mechanic that could fly and maintain the aircraft. I also know that customs has a licensed pilot stationed in Deming that could make use of the aircraft.

I feel we need greater search and seizure powers within a three mile radius of the border that would allow us to search people and vehicles without a warrant. If we had these powers, we could search vehicles going into Mexico and recover stolen property before it could be traded for drugs.

In effect, we would break the cycle before the drugs start north. The recovered stolen property would be returned to the owners and the victims would be much happier.

I also see a need to have federal approval for the Luna County Jail so Federal Prisoners could be housed here on a short term basis. This would free Federal Officers of the many hours spent transporting prisoners to Las Cruces for incarceration. I have started an evaluation of my jail to see if the county can accomplish this goal.

I hope my few comments will be of value, as we all work toward the common goal of law enforcement and the freedoms of mankind.

STATEMENT OF LLOYD V. PAYNE

I appreciate teh opportunite to address this subcommittee hearing concerning the problem of narcotics smuggling along the border. I am Sheriff of the County of Hidalgo, New Mexico, which shares approximately 80 miles of the most remote and sparsely settled portion of the Mexican border area. There are only seven families that live within ten miles of that stretch of border which figures out to an average of more than 100 square miles of remote county surrounding each ranch on the border. The U.S. Customs office in Deming, NM is over 100 miles distance by highway to over half of this area and the U.S. Border Patrol office in Lordsburg is from 75 to 100 miles distance from all of it. I am exactly equidistance from either Tucson or El Paso, both in an adjoining state which is the closest U.S. Customs or Border Patrol air support, both being over 100 air miles away from this area.

These conditions impose a great strain on law enforcement efforts in our area. My office is experiencing a growing amount of property crimes which are perpetrated by illegal aliens raiding from across the border. In fact, we recently had a burglary of a remote mine accomplished by a team and wagon being used by the perpetrators. We also have apprehended aliens on a stolen $40,000.00 John Deere Tractor going home to Mexico down a remote dirt road. My point here is that aside from the narcotics problems, I have other pressing problems connectd with the U.S./Mexican Border.

My plight is that I do not have the man power to provide 24 hour protection to the southern portion of my county. Border Patrol has a maximum strength of 10 officers in my county. This is not enough to adequately patrol this area.

Using maximum efficiency of their post, the best they could do would be to have one man to cover 40 miles of border on a 24 hour a day basis. The thing which we are not considering here either is that if any one officer is working alone his closest back up in an emergency is from 50 to 100 miles away. On a dark night, when you are in the process of stopping a suspicious vehicle, and you are alone under those conditions, you get a very lonely feeling. Air smuggling has always been a problem here too. The aerostat radar program is one of course in the talking stage. Right now in my area, less than 5%, and probably closer to 2%, of the air smuggling traffic is the maximum being apprehended. We spot aircraft from the ground and call it in to Customs but due to the terrain, our remoteness, and the lack of available personnel and equipment necessary to pick it up on radar and then intercept it in the air, it goes almost untouched through our area.

Operation Alliance has begun to open some avenues of relief to my area, however, progress is slow. I can cite mostly dialogue with federal agencies as being the progress achieved so far. Other than that my department has received three radios which were badly needed and some surplus military camping equipment which will be used to help us conduct some operations in remote areas.

Using the new communications equipment has helped our department by making available U.S. Customs data information files out of Sector Control in Houston. This has resulted in a few arrests and the facilitation of several on going investigations concerning smuggling.

I do feel a very definite and improved spirit of cooperation between our local and federal agencies though. I feel that Operation Alliance has yet to even begin to reach its potential. Without more resources, there is only so much that my department can commit to the effort of Operation Alliance when taking into account the other responsibilities I have to continue to bear. I do know that local cooperation and assistance are necessary and I desire to provide it.

STATEMENT OF ROBERT KEMBLE

Mr. KEMBLE. Thank you, Mr. Chairman. I am Robert Kemble, as you pointed out, the secretary of the new department of transportation. I noted that my boss left earlier. I don't know whether that means that he felt comfortable with what I might say, or whether he didn't want to hear it. Anyway, I presume that we will have a chance to talk, he and I, more.

Just let me take a moment to summarize my testimony that I submitted to you. First of all, I want to say that I don't want to operate under any false colors here. I am new to this organization. While my learning level has gone up rapidly, I don't represent the in-depth expertise of these gentlemen on either side of me, but it has given me an opportunity to stand, arm's length, and take an objective overview of this whole situation.

I would make three points, I guess, quickly. First of all, without rehashing the kind of statistics that you have heard, we all agree that the problem is enormous, that it's ongoing, and that it is something, when you began to look at the reports, staggering and discouraging in one way. The threat in this State is certainly huge, if you, just as I, review the facts. The only age group in New Mexico that has had an increasing drug addiction rate over the last 10 years is 15 to 24 years old. Nearly one-half of the suicides are drug-related. Over one-half of homicides or near one-half of the homicides are related to drug addiction. Nearly 65 percent of all fatal accidents are caused by drugs. As I said, we can rehear those kinds of figures all day, but there is no reason to do that. You are more aware than I of that problem.

The second point I think I would make is simply one, again, that you have heard, that we, like the others who have spoken here, very much agree that Operation Alliance has done some good things. We are strongly supportive of it. I would point out that in my review of the situation, and in speaking to gentlemen like these around this table and others, seems to suggest, not only has the equipment and other resources that have been brought to bear made a significant impact, but that the encouragement and coordination between these organizations, between the local, State, and Federal organizations, has been even more important and significant. And we are appreciative of that. One of the things which I think, and my staff at least thinks, that of the many Federal programs, the forfeiture program offers a greater opportunity than we have taken advantage of. And I am going to suggest that the sheriffs are going to suggest the same thing, although we have not talked about that specifically. We think it's a program that probably can use some streamlining on our part and on the Federal part, but we very strongly endorse its continuation.

The last point, the one I can speak a little more authoritatively to, is the relationship, at least what we think is the potential of relationship, of the department of public safety [DPS] organization and the problems that you are looking at today. The new department was part of the Governor's and legislature's efforts to streamline State government. But it was a streamlining to make more cost effective the operations of the State government. And I think it has given us opportunities in the DPS that were not there before.

First of all, the DPS operation has relieved from the chief of the State police and his top staff a number of proven, time-consuming requirements—such as planning and training and service support, and other activities—that took away from their time to look at and directly supervise, in the field, the operations, to include narcotics operations. We have changed that. I think we will begin to see more and more favorable results based on that.

Second, in the department of public safety, there is now a centralized investigation division that is charged with augmenting other activities within the State, but it has also brought together a number of investigative capabilities of the State. And related to what we are talking about today, especially important, a bureau that will be developing intelligence, analyzing intelligence, and sharing intelligence beyond what I think has been the situation in the past. And we feel that that will have some impact on the matter at hand today.

The training capability in support of law enforcement has been strengthened by combining the former law enforcement academy that supported the local law enforcement training, and the State police training, so that we can be more directive and frankly more economical in the use of our resources. That, in turn, should allow us to provide much more specialized training. That bears again upon the situation that we are talking about here.

We think that those three improved capabilities, the direct supervision by the top State police staff, more comprehensive training divisions, and the intelligence gathering capability improvement, can be more efficiently applied to the task of narcotics trafficking in general, and, we hope, border violations in particular.

We already got field tested in a way that we didn't expect. A not so funny thing happened on the Fourth of July when we had seven maximum security convicts escape. But it taught us some lessons, quickly, about the DPS's capabilities. We were able to, I think largely because of the higher authority, the greater authority of a Cabinet level position, rather quickly bring to bear the cooperative efforts of State, Federal, and local law enforcement to that task. And within 22 days, we had those seven people back in prison—which is relatively unprecedented. We also found that there were greater capabilities within the DPS than the State police alone had enjoyed, such as the intelligence capability being brought to bear quickly on that particular problem, as an example. There are others that I won't bother going into.

So, I think the question now is, how well can we quickly and efficiently translate this additional capability, the higher authority, the greater resources, and the opportunity for greater cooperation with the local law enforcement people into this overall endeavor called Operation Alliance. And if I had to guess, looking toward the future, I would be somewhat optimistic, quite optimistic, that we can do things in ways that perhaps we haven't been able to do in the past. And I think our primary thrust will be to try to in effect extend the voluntary Alliance, and the very strong, already existing cooperative attitudes that we have here into a kind of New Mexico Operation Alliance that complements the Federal Operation Alliance.

Senator DOMENICI. Thank you very much, Mr. Secretary. Chief Curran.

STATEMENT OF CHIEF NEIL W. CURRAN

Mr. CURRAN. Thank you, Senator Domenici, Senator DeConcini. I appeared before this subcommittee a few years back, and I appreciate the initiative that the Federal Government, Congress, has initiated in the Southwest. As pointed out by Commissioner von Raab, we in New Mexico have received tremendous support from the Federal Government, most specifically U.S. Customs. Three years ago U.S. Customs had six agents assigned at the air support group in Albuquerque. And as earlier testimony indicated, they presently have 42 on board with an authorized manpower of 48. In conjunction with that, they have also added 12 U.S. Customs special agents for investigative purposes in Albuquerque, and 6 additional agents in Deming.

In conjunction with the Federal support, the Drug Enforcement Administration and the FBI have become very actively involved in drug investigations throughout the State of New Mexico. And as a result of their involvement, it has enhanced our ability in the law enforcement community throughout New Mexico to curb the drug trafficking through our State.

Now, I sat on the joint command group of Operation Alliance, as representative of the State of New Mexico. We first met in El Paso in early 1986, February or April, in the planning stages of Operation Alliance. "We" being the Federal agencies and the State agencies, State and local, from the four border States. And when we departed El Paso, we looked at Operation Alliance with a jaundiced eye. And on my return trip, I believe my supervisor felt that I should be coming back to New Mexico with a suitcase full of resources to supplement our efforts in enforcing the Controlled Substances Act in New Mexico. I think that was a misconception as a result of your action, Congress' action, concerning the Anti-Drug Abuse Act that was passed in October 1986. There was $225 million appropriated for State and local governments. I think the concept was that all that money was going to be funneled now to Operation Alliance, and Operation Alliance was going to have a checkbook and distribute funds to State and local governments, which is contrary to the guidelines—we all know that. The State of New Mexico will receive, or has received, or is in the process of applying for, $1.4 million of those assets. We have that responsibility to apply for those assets.

Now, what has Operation Alliance done for New Mexico? More importantly, I should ask you what has New Mexico done for Operation Alliance. What we did is, we came back to New Mexico—"we," being the State and local authorities—and we built a mini Operation Alliance in New Mexico. And we did this by involving State and local law enforcement across the Southwest border, from Lordsburg to Las Cruces. As we became involved in the planning stage of it, we expanded it to the southern counties, to Lea County, up to Roswell, and involved the metropolitan area of Albuquerque. As a spinoff of that, we invited the local district attorneys and the U.S. attorney to become involved. And we discussed problems of mutual interest in prosecution, in resources, in funding, what direction we wanted to go with Operation Alliance.

We took our comments back to the joint command group. And, yes, it was not easy. I was the one who closed the briefcase and was going to get up and walk out. It's immaterial, now, why. The first thing Operation Alliance did was to motivate the Federal agencies to coordinate and cooperate with State and local law enforcement and to motivate themselves within their own agencies. I am impressed with the results of the border patrol. I know in the past, in many cases, we have gone through a border patrol checkpoint, and you had an individual standing on the steps of the checkpoint waving you through. Now, they are out there working. They are looking for contraband and other illegal acts. Their crossdesignation was a very, very positive step forward, not only for the DEA, but for U.S. Customs and INS under title 21.

I think in the last testimony, we talked about turf problems. The crossdesignation eliminates that turf problem to some degree, not totally, but to some degree. The first thing we talked about was resources and equipment. The New Mexico State Police has, for example, received an aircraft from U.S. Customs. It's a Cessna 210, which we have been awarded through asset sharing. Another asset we have received is 32 U.S. Customs radios assigned strategically throughout the State, city, county, and local narcotic agents, and even the game department that's working down in the Animas Valley. So they will have the ability to communicate directly with Houston and query EPIC, the El Paso Intelligence Center, for intelligence that's necessary.

The next issue we addressed was training. And the Federal Law Enforcement Training Center, Mr. Joe Miller had resources available and was given a block of money to provide training for Operation Alliance. And this is onsite training. A request went out to all State and local agencies, "What type of training do you want?" And then the command group put a priority on that training. This morning I received a call concerning a videotape that we are preparing for training on asset sharing, wanting to know what my input was. The New Mexico State Police have gone to California, Arizona, and Texas, and provided training to U.S. Customs Service personnel and U.S. border patrol in air search techniques. Now, what are we getting involved in is onground search techniques. And this is basically a spinoff of Operation Pipeline, which is the highway interdiction program. I think Congress had put that in the mechanism for us to obtain resources, and this is through asset sharing. That was passed on October 12, 1984. I don't want to be purchased by the Federal Government. I want to contribute and be rewarded for my contribution. If I am involved in the case, I would expect to be able to reap the harvest as far as asset sharing is concerned, and that mechanism is in place.

The only thing I would encourage the Federal Government to do is to try to streamline that mechanism so that the moneys can come forward quickly. And as it relates to involvement in Operation Alliance and the planning process in attending the command level groups, I come back to the State of New Mexico, I meet with the Operation Alliance groups in New Mexico, and I share the information I would get from the joint command group. I asked for their input. On August 7, which I have a piece of correspondence here from Operation Alliance, Mr. Eliason, requesting information and intelligence concerning the planning of a mobile corridor for special operations for 1988, requesting that input from State and locals.

Now, we may not be involved in each and every case stemming from Operation Alliance, but I guarantee you that the Federal Government is not involved in every case that meets the criteria of Operation Alliance. Now my contention is, if I had a difficult time in determining whose responsibility is it for interdiction—contrary to the situation in south Florida where you can look across a body of water, detect a ship or an aircraft coming across, you can definitely determine that this is an interdiction problem—on the southern border of New Mexico, we have got one fine line; that is an international border. Once the penetration is made, it becomes a domestic problem. That's our problem. As an administrator, I feel that any time I can identify a case as being interdicted or smuggled into the United States, that becomes a Federal problem, and I want to prosecute it federally. I don't want to pay the expense of housing inmates at $48 a day in a State facility when, in fact, it's a Federal responsibility. That's why I feel very strongly that we in law enforcement in southern New Mexico should demand, well, maybe not demand, but request an assistant U.S. attorney here at Las Cruces, and a Federal judgeship here at Las Cruces. We have a beautiful facility in place. And more importantly, it will enhance our enforcement capabilities, because we will have access to an U.S. attorney on a day-to-day basis.

Senator DOMENICI. Thank you very much, Chief.

Do you want to go first, Sheriff Sarracino?

STATEMENT OF SHERIFF COONEY SARRACINO

Mr. SARRACINO. First of all, we want to get a little of the mystery out of how we try to fight narcotics in Dona Ana County. In the early 1970's, the agencies in Dona Ana County formed what was called a Metro-narcotics squad. This squad was established from the city police, Dona Ana County sheriff's office, and the third judicial district, district attorney's office. Eventually, the New Mexico State University participated in the Metro-narcotics agency. The responsibility of this agency was to enforce laws concerning drug smugglers, drug interdiction, and 3,806 square miles in Dona Ana County, having approximately 50 miles of border, Mexican border, to patrol.

Now, within this country, there are about 20 clandestine airstrips which are being used by aircraft to smuggle narcotics into this area. There are also an undetermined amount of developed and undeveloped roads which are used to land these aircraft. This area has a problem with organized groups of individuals utilizing sophisticated electronic equipment for monitoring law enforcement communications in the planning of their illegal activities. These area smugglers are using this area to smuggle illegal substances into New Mexico as well as other parts of the United States.

At the local level, this is not just a problem for Dona Ana County, but it's a problem for law enforcement agencies all over. That includes State government agencies and Federal agencies.

Now, I had some statistics that I wanted to read to you on our increased drug smuggling. One of them alone is in cocaine. We had an increase of 230 percent in seizures of cocaine in this area by the Metro-narcotics agency. In 1977, we had five agents in the Metro-narcotics agency. Today we have eight, which is a very small increase according to the percentage increase in seizures we've had. I would also like to bring to the attention of this committee the problems that's we are going to encounter in drug smugglers in this area due to the fact that the Potrillo Mountains, which is at the southwestern edge of Dona Ana County, is being considered as a wilderness area. This will hamper law enforcement in this area due to fact that we have no resources to patrol this area properly. If it's designated as a wilderness area, as you all know, in wilderness areas you can only travel designated roads. Also in this area, we have a lot of illegal aliens coming through which, like Chief Curran said, it's not just aliens that we are looking for, but smugglers. There are corridors for smugglers that do come in and trade narcotics, and do at the least burglaries, and so on and so forth. Narcotics not only involves the smuggling, it involves murder. It involves burglary and larcenies, and all of these other things in this area. Therefore, we, in this county, have established this narcotics agency to assist us with this problem.

We are very happy with Operation Alliance at this level, but I agree with Senator DeConcini when it comes to involving the local agencies. We are not involved too deeply with it. I have been to one meeting of Operation Alliance in Albuquerque. I felt like I was just a spectator, although I am getting assistance from them and mobile radios and so on; I would like to participate deeply with Operation Alliance. Not only assist them, but get involved in the operation of it. Out here locally, we have 50 miles of border, like I stated. And who knows the border better than our local agencies around Dona Ana County, and the rest of the counties in the area.

Since I have been hearing all administration testimony as to the local problems, I brought with me from Metro-narcotics Sgt. Pete Hampton who has been involved in the lower levels of operation with the county in the fight against narcotics. And I am sure that he would be willing to answer any questions from the local level and from the bottom level of government.

As far as cooperation, I have heard, too, from some other testimony, of the Mexican Government. The cooperation, we feel, from the Mexican Government is on a 1-to-1 basis. There is no government cooperation or no upper, local government cooperation that has been expressed to me in any way. I think any cooperation, like Congressman Skeen said, is at higher levels of government. As far as local level government cooperation, we haven't had any cooperation at all. Agents among agents have cooperation, but that's about it. And, therefore, that concludes my testimony. If you have any questions later on of Pete Hampton, he is in charge of Metro-narcotics and can answer your questions.

Senator DOMENICI. Thank you very much, Sheriff. Pleasure to have you here. Sheriff Gifford.

STATEMENT OF SHERIFF FRED G. GIFFORD

Mr. GIFFORD. You have received my testimony and the letter I submitted. Basically, our county is approximately 60 miles to the west of here. And as most of you should know, we have about 54 miles of Mexican border, plus we have one port of entry at Columbus. And Columbus, I have information, will possibly become the drug smuggling headquarters for drugs coming north. Also along that area we have several airstrips that are very close to Columbus, and they are flying across our border, bringing drugs in. And they are not just staying with the nighttime hours. They are coming in in broad daylight. They are landing on ranching roads out in the remote areas of our county. They are flying over and pushing them off in duffel bags, and others pick them up and drive off with them. It's a very quick operation and hard to get on top of. As I have stated, our county does not have much money. So, as a result, we are always trying to combat a big problem with a drop of water. It's just not enough. We have one detective that works very closely with the Customs and State police, and with the DEA and FBI, but that's about the only one I can supply to them for any assistance. In fact, sometimes I wonder if he works for us or them. He is either in their office or they are all in our office.

We try to do the best we can. We have submitted requests to Operation Alliance for different types of equipment. And so far we have received two radios, which we have placed in our units. And these are very handy to help us to speed up the problem. The thing that I have found as I have watched this whole situation develop, we have a cycle that appears to happen. And that is, the burglaries begin on this side of the country, stolen guns, whatever they can steal of value, jewels, et cetera, which are being transported directly to the border. And they are here and across in 30 minutes, out of the area. As a result, I feel that if we could change our search-and-seizure laws within a specified radius—and in my letter I said 3 miles. After rethinking that I would say 25, 30 miles from the border, we should have certain unlimited search-and-seizure powers for vehicles going south into Mexico. We can break the cycle on this side of the border, rather than going and trying to break it as it's coming back out of Mexico. If we cut off the supply of money going south, and the supply of drugs being traded for guns which are then turned around and being shot back at us, we would be better off. Not only that, but the citizens of this country would appreciate getting their stolen property back. I think you can appreciate that. If it gets into Mexico, 9 times out of 10 that's the last time we see it, because we have no cooperation in getting that stuff back. So we might approach it from a different angle and break the cycle on our side as it's going south instead of its coming back north. We can then also return the property to the people instead of trying to store all of the drugs in the warehouse, and then trying to dispose of the drugs which are of no value to us.

In my department we have a pilot, and he is also an ANP mechanic. And we are trying to work out an aircraft situation with a small, light aircraft that could be based at our airport in Deming. He could respond much quicker than the aircrafts out of Albuquerque and El Paso, et cetera, and we could use it for routine flights over the area, like the border patrol does. We could check for footprints and contraband coming in at different times. I feel that with a small, light aircraft two or three people would be plenty for our use in that particular area and would help your agencies as well as ours. The terrain in that county is pretty rough. We have the Florida Mountains, and there is some pretty tough terrain in that area, also.

I also think we are overlooking something that is very important. We all have jails. We are talking about making many more arrests. We are talking about bogging down the courts. Once we have these people tried and processed through the courts, where are we going to put them? I know the Federal officers in our area, the Customs people, have to transport anybody they arrest all the way from Deming—if they pick them up way down south, it's an hour to an hour-and-a-half drive to Las Cruces to put them in Sheriff Sarracino's jail because we are not federally approved. I don't know if there could be restrictions relaxed so that we could meet those Federal qualifications, or whether there could be some funding done to bring us up to Federal qualifications. It's a big problem that we face, but I think it's one we need to look at. What to do with these people after we've caught them all, tried them? Where do we put them, and how do we eliminate the problem that we just faced where our security broke down in jail and people got out?

I would like to thank you gentlemen for listening for a few minutes. We have good cooperation with Operation Alliance. Chief Curran, now—I knew him as major. I used to know him as a patrolman, because I am an ex-State policeman. He's been very cooperative in keeping us informed of what's going on. I am a new sheriff as of January of this year, so I have not been involved in the initial planning in the early stages with Operation Alliance. I feel that they have kept me well informed on the operations that were taking place in my county, but I have not had any say-so as to what operations were going to take place. And they have sent me letters of request. We have gone to different meetings. And in some of those meetings, we did conduct some planning as far as what do we do, how many people do we have, what kind of paperwork will we need, how can we streamline the system and cut all the redtape. One of the biggest problems is cutting through the redtape to get to the end results.

Senator DOMENICI. Thank you. Sheriff Payne from Hidalgo County.

STATEMENT OF SHERIFF LLOYD V. PAYNE

Mr. PAYNE. Thank you, Senator. Glad to be here. I appreciate being able to testify before you and Senator DeConcini today. My problem is a little unique in that I do have 80 miles of Mexican border, and I have 99½ miles of border with your State, Senator. When I left the office this morning, I left one officer on duty in that whole county. We are at least 75 miles to 100 miles from the border patrol office in our county, or Customs office. Over one-half of our Mexican border is over 100 miles from the nearest Customs office. We have seven ranchers that live along that 80 miles, within 10 miles of the border. So each of them has over 100 square miles of area right along the border with no one close.

Now, we don't know exactly what the magnitude of our problem is because of the sparsity of our population and the uniqueness of our problems. When we have a corridor operation and come in with the border patrol—when you are as sparsely settled as we are, any movement in the area is easily, readily noted by the opposing forces. And they say, "Well, we will run the corridor operation in, and we find out where there isn't activity." Well, a lot of times that activity shuts off, so we really don't know, because it's easily detectable.

We have cooperated with Operation Alliance and want to. We have worked closely here with the chief. I have tried to attend all the meetings. We have excellent cooperation with Customs and with the border patrol; however, the remoteness of our area makes it so that it's just impossible to completely cover that area. I have tried to maintain contact with the sheriffs in Arizona. However, again, here we run into a jurisdictional problem and a completely different set of Customs and border patrol offices and procedures than we have on our side. And I also have two different Mexican States on my border, both Sonora and Chichuahua to the south.

We have had some success with the use of some of the equipment provided by Customs. The radios, specifically, have generated some arrests that are resulting in some convictions. And we do have some ongoing investigations which I am very sure will be fruitful, in which Customs is strongly participating.

We still have problems that I think Operation Alliance will be able to solve if we can get down to the nitty-gritty of it. Communication problems being one. For instance, 1 week ago we received—my office—received a call. And I heard most of this go on on the radio. A border patrol agent who had received information that a sensor had gone off on the border called, via State police radio, to the sheriff's office in Deming, wanting to pass the information. I could hear it getting scrambled. They called my office to call back to Lordsburg, who called back to Deming, who tried to reach the border patrol agent. I called my dispatcher to call directly to the border patrol in El Paso to see if they could get the officer and find out what he wanted. My dispatcher called El Paso. They patched him back to the officer, the border patrol officer in Lordsburg. And by the time the thing all got anywhere, it was completely scrambled. And the border patrolman finally radioed in to forget it. It was too late. We still have communication problems along the border. Just this past week the State police and the department of public safety came to my office. We sat down and talked. I think we solved some of our problems. We are going to have radio contact now between our officers. We don't as yet have it with the border patrol, but we are working on a better system where we can speedily handle the problems in these remote areas. My area is so remote, as you will find in my prepared statement, we had a horse and buggy come across and do a burglary and get back across the border. We also had a $40,000 FarmAll tractor going down south, down a farm road, that just happened to be caught late at night. So in its remoteness it's unique, when looking at the rest of the places. When we talk about assets, when we all expected something to be given to us to help us overcome some of these problems we have, the truth is whether we get it or we don't, we are still going to cooperate. And we have much to do.

Earlier in the day, I heard Bill Lutz talk about the Supreme Court, you know, having several years to consider something, and then they have a four to five vote over what an officer has to do in a few minutes. That's like us talking about the situation here. When my brother Vern was a chief justice of the Supreme Court, and I was under sheriff in Bernalillo County, we had discussed some of these cases. One night he was riding with me—and, Senator Domenici, you'll appreciate this. We were in the south valley. We got a call from a notorious bar that there was a bad fight going on with weapons involved. My brother Vern was riding with me. I pulled up in front of the bar. I handed him my weapon and said, "You go in and handle that. I would like to see just how it's done." And I think the situation is somewhat the same here. We can talk about it. We can discuss the point. But unless you are down there, unless we can get the people down there to see what's going on, we are not going to reach a suitable solution to the problems that we have.

I want also to bring up the problem of air smugglers we are having across my county. We have the ideal place for air traffic to come. We are equal distance from Tucson and El Paso, both of those being in another State. We have high mountains and secluded valleys that run north and south. And I would say that probably we are only catching 2 percent of the air traffic coming over my county, and that might even be stretching the facts. We call airplanes in. We talk about air interdiction, but because of the remoteness we are not doing anything. Maybe this aerostat program we have talked about will eventually do something. Here again, where we are so far from air support, it's going to be hard to accomplish.

We have tremendous cooperation from the citizens in our county. And I think Customs and the border patrol can attest to this. We have got people down there risking their lives feeding us information about smugglers coming up in vehicles and with airplanes. We are afraid that this is going to cause some of them problems, but we have tremendous support from the people. We try to pass the thing on. We try, and it's working. But I think we are just barely knocking at the door. I appreciate your coming down and giving me a chance to express these views. If you have questions, I will be glad to respond. Thank you very much.

Senator DOMENICI. Senator, do you have any questions?

Senator DECONCINI. Yes, Mr. Chairman, I have a lot of questions. I won't go into all of them because of time. Let me say, Mr. Curran, I am very satisfied to hear that you think things are going so well in Operation Alliance, and yet when I listened to Sheriff Sarracino and Sheriff Dupnik over there, I got mixed feelings that Operation Alliance is certainly doing some coordinating, but they don't seem to be doing a lot of listening to what the needs are. And yet I compliment the sheriffs, because they say they are going to work with them, no matter what. It just seems to me that Operation Alliance has been certainly better than if it hadn't been enacted. Operation Alliance was not intended, as you pointed out, to channel a lot of money into local law enforcement, but there is no reason that Operation Alliance couldn't bring that to the attention of the executive branch, particularly the Attorney General, that there are some needs here that I think are clearly pointed out. Because this is an international border, it is not the responsibility, in my judgment, of local sheriffs to have to stop the drug traffic. Operation Alliance could do more, in my opinion, to be more sensitive to these needs. But I have to defer to you, Mr. Curran. You seem to think it's going very well. I can't argue with you, but my representative from Arizona thinks it's not going very well. He thinks the coordination between the Federal law enforcement agencies is excellent and that they are responsive and want to work with local law enforcement as well. But he thinks the operation itself has really let them down, at least in Arizona. I think your State is doing better than mine, apparently.

Senator DOMENICI. Well, let me ask just a couple of questions. I think we have heard the suggestion in generalities three times today that we do something to streamline the assets-sale statutes and regulations. Can somebody be more specific, or would you like to send us that in writing? I think we are all interested in fixing that.

Mr. CURRAN. We met with Attorney General Meese, and with the Vice President. And we discussed these issues. And the Attorney General has directed the heads of the Federal agencies to expedite the asset sharing. I think it gets hung up in the bureaucracy of the Federal agencies more so than in the language itself.

Senator DOMENICI. So you are telling the committee, now, that you believe it's a question of administration and regulation; and at least, for now, you are satisfied that it is being pushed?

What I would just like to solicit from you is, if it doesn't work in the foreseeable future, we would sure like to hear from you as to what the shortcomings are in reference to expediting the asset sharing. It's something valuable and has a good flavor to it from the standpoint of rewarding those who work, who take the risks, of seeing that they get some of the benefits.

Let me ask you, chief. When you sit here with us and the sheriffs are here with you, obviously, we are dealing with very, very difficult situations in terms of Hidalgo County, as Sheriff Payne pointed out. It's a very, very big county with very, very few people, and very limited law enforcement capability. How do you assess Operation Alliance and the Federal Government's coordination with you and the problems he has discussed? How do you put those into some kind of perspective as to roles, and who's doing what, and who's supposed to do what?

Mr. CURRAN. In the planning stage of Operation Alliance, we discussed the needs of law enforcement along the Southwest border in New Mexico. And when we are talking about the needs, we are talking about manpower, equipment, overtime money, fuel, maintenance costs that are experienced by the State and local agencies. And within the realm of Operation Alliance having no budget, we asked the other Federal agencies how they could assist us. And primarily, the way they have assisted us up to this point is by strategically locating manpower in areas where we have concern. And as I pointed out in earlier testimony, they have beefed up or are in process of beefing up the U.S. Customs office in Deming.

Now, it would be a command-level decision whether or not they wanted to place an officer in Animas. Now the State police took that initiative, and we placed uniformed personnel in Animas and in Columbus to assist as best we could for the resources we have. And this is basically what the Federal Government is doing. They are trying to utilize their resources as efficiently as possible, selecting priorities. And the reason I think it is working is because through the joint command group we can sit down with the head or the Administrator of DEA, Mr. John Hahn, Mr. Neilson, Mr. von Raab, and say, "This is what we need." We generally can't do that if we are talking to the local agent, Agent Allen, in Deming. But you have an opportunity to sit down with Mr. von Raab or Bill Rosenblatt with their support and say, "This is what we need in New Mexico to support New Mexico, not only in air smugglers but surveillance—ground and air surveillance and detection."

And I don't think the answer is manpower specifically. I think we need to look at technology. I think New Mexico needs to obtain funding, maybe from the Federal level, to build a repository of intelligence much like EPIC, so that we can feed the intelligence into a central repository, and tap the El Paso Intelligence Center, and we can correlate these investigations statewide and nationwide.

When we are talking about the traffic that comes through New Mexico, we are talking about an initial problem, because the drugs, 2,000 pounds of cocaine was not destined for New Mexico. It was coming through New Mexico. New Mexico is a conduit, and we need more intelligence, more resources to store intelligence, a repository for intelligence. And then once we identify the target, then we can move the resources or request additional resources then. And this is the big advantage, to have Operation Alliance come in.

I don't think we are, in State and local law enforcement, going to get involved in the day-to-day operation on every case. And like I pointed out, the Federal Government is not involved in every case in our State. It's a spinoff. But what we can do is, when we detect those large loads of controlled substances, then let's develop those cases to the maximum, as we did with the 89 pounds or more of fine base that was detected in Quay County in 1985, working with the U.S. Customs, the Drug Enforcement Administration, and the State of New York. They indicted some of the original French Connection, which was brought out in one of the national magazines in April of this year. But that's the advantage. The case we make today, regardless if it's the sheriff that makes the case or the State that makes the case, if we have the mechanism to develop those cases to the maximum, to get the total number of conspirators involved in the case, I think that's the advantage we will have. It's not just placing people along the border and once that controlled substance penetrates our border, then it becomes our problem, then we seize it, and then we should coordinate.

Senator DOMENICI. Let me tell you what I think, from the standpoint of the sheriffs in the very remote counties with limited resources. I don't think any of them are suggesting that they expect to all of a sudden turn into a major law enforcement agency out of the headquarters of the sheriff in Hidalgo County. And I don't think Sheriff Gifford is talking about that. I think what I get out of their comments is there appears to be a broad base of effort, more unified than ever with the resources that are around, Federal and State. I think they need to have a clearer picture of how that helps or alleviates some of their responsibility. Obviously, they cannot patrol their borders. Sheriffs of these counties are not equipped. We have been spending millions and millions of dollars on new kinds of equipment, all kinds of manpower, and we still can't quite do it nationally, so they can't be expected to. But I think somehow or other we have to eventually get it down where they understand a little better their role and your role, the Alliance's role, and the coordinated role. And they need better communication so that they can be helpful where they can and feel comfortable that somebody who is supposed to do something is going to be doing it.

Mr. KEMBLE. I absolutely agree with you, from my observations and discussions with these people. And I think that's one of the roles that the department of public safety can play. I think we can help in that area of communication, clarifying that overall involvement, and aiding in the sense of being involved, in contributing to general planning within the State. And I hope that we can play that part.

Senator DOMENICI. We might, Senator DeConcini, without any kind of commitment, we might, with your concurrence, discuss that one issue that the Commissioner spoke to us about with reference to overtime. We are aware that there is a problem, when a case is being worked on by local officials, of the overtime costs involved in a coordinated case. Obviously, the Feds are pumping resources in there, so that's taken care of, but you have got a mismatch in that overtime from the local level is not paid for, and the resources aren't available. We have discussed with the Commissioner some way to contribute in that regard, where maybe the Federal Government through Customs, perhaps, on a case-by-case basis, might be able to find a way to give them authority to do some reimbursing so as to make that manpower capability a little bit more on par. You know, men and women in law enforcement can work on grit and enthusiasm, but it's pretty tough to be working with fellow officers who are getting paid, when there is no money in his office to pay for an 18- or 20-hour day. We are going to look at it. It might not be a lot of money, but it might be helpful in the interest of some kind of parity. If you can show us how it can be addressed so there is a minimum amount of paperwork and fraud and deception, we are very interested in trying to write something in the laws about it.

Mr. KEMBLE. We applaud it, and it's certainly more a morale problem than anything else.

SUBCOMMITTEE RECESS

Senator DOMENICI. We want to thank you for your being here, for your extreme patience, and obviously, for the good work you do. Thank you so much for your time. Our hearing will start again at 1:30.

[Whereupon, at 12:30 p.m., Thursday, August 20, the subcommittee was recessed, to reconvene at 1:30 p.m., the same day.]

(AFTERNOON SESSION, 1:45 P.M., THURSDAY, AUGUST 20, 1987)

Present: Senator Domenici.

NONDEPARTMENTAL WITNESSES

STATEMENT OF HON. GARREY E. CARRUTHERS, GOVERNOR, STATE OF NEW MEXICO

Senator DOMENICI. The subcommittee will come to order. Senator DeConcini had to catch a plane back to his home State.

As you know, we're going to complete the hearings by this subcommittee today, on border issues. We're focusing today on border facilities and commerce between the Republic of Mexico and the United States, with as much emphasis as we can on the New Mexico issues; the needs of the border, and what the future holds in terms of economic development and prosperity that might flow from better arrangements, better use of our facilities in the private sector, using various economic tools that are available on the border, with a maximum effort to keep some of the jobs, American jobs, here; and, hopefully, from our standpoint to develop a very viable maquiladora program that will employ New Mexicans.

I'm very pleased this afternoon that the Governor of the State is going to be our leadoff witness. Others will follow. We will try to stay on schedule, for those who have come from long distances. We'll try to keep this meeting moving along, but we want to give the Governor as much time as he desires to address the subcommittee.

Governor, welcome. Thank you so much for being here.

Governor CARRUTHERS. Thank you, Senator, Mr. Chairman. I want to thank you for the new Columbus border facility. I know you've been a long-time supporter of that project. That will give a new face to Columbus, a face that we'll be proud of; a place where people who have an interest in the maquiladora program in that part of the State can now go to and have a wonderful facility, have a place to meet and to discuss those prospects with the private sector as well as the public sector.

It's a pleasure to once again appear before the Congress and this committee. It has been some years. I'm a little rusty from my days as a Reagan administration official, but I always look forward to coming back and dealing with you, particularly on issues that face New Mexico.

If I can contribute anything to the hearing, it is probably that we believe these hearings and the activities of the committee are extremely important. They're extremely important to Las Cruces and to Deming, and to the communities along the border; extremely important to New Mexico; extremely important to the border States and to the United States. It's important to all of us, I believe, and as a result of these hearings, you highlight the fact that we must acknowledge that we're in an international economy now.

I think for a long period of time, the New Mexicans—and I think perhaps those of us in the United States that were at one time acquainted with and participated in public policy—just felt that we were so strong economically that we didn't have to concern ourselves with the economies of other countries. That's no longer the case. We don't have the luxury anymore, and as a consequence, we're each trying in our own way to become part of the international economy.

These hearings and the outcome of these hearings will lead us that way. There's no better way to become acquainted or acclimated to the international economic waters than for New Mexicans to wade into the issues that confront us with the country of Mexico. They're our neighbors. We like to trade with our neighbors. We want to increase trade with our neighbors. And as a consequence of these hearings and some activities that are underway in New Mexico, we hope to advance the cause of trade.

It's important to New Mexicans, however—I think more so than in some other States—that we deal more with Mexico. We have a close tie with Mexico. We trace a good share of our culture and our heritage to the country of Mexico. We're proud to have been a part of Mexico at one time. As a border State, we acknowledge that things that happen at the national level, whether they happen through the Congress and through the President in the United States, or they happen in Mexico, are often felt sooner and much more profoundly along the border than they are other places.

I think the valuation of currency and the fluctuation of currency has probably been felt more strongly in the Las Cruces and El Paso area than it has throughout the rest of the country. The immigration law recently passed by the Congress, certified by the President, and now being implemented by the Federal service, obviously impacts our communities more perhaps than other communities in the United States.

I think it's important, as well, to the border governors of both Mexico and the United States. Very recently, my colleagues in Texas, Arizona, and California assembled and decided to reinitiate the border governors conference so we can open up a dialog with the six governors of Mexico that border the United States. We will have our first conference on October 5–7. It will be here in Las Cruces, and part of it, perhaps, will be in Juarez, Mexico.

We hope to have all four Governors—and they anticipate attending—from the United States, and the six governors from Mexico. Hopefully, Senator, we can invite you and members of your committee to return and visit with us about a host of agenda items that we think are important to New Mexico, to the border States, and to the United States. Our agenda items will be very comparable to what you have in the way of interest, in talking about trade and in talking about extradiction with respect to drug trafficking.

On our agenda for that meeting are things like border control. We have a great concern with contraband, illegal drugs, and the immigration issues. But we're perhaps a little more positive as Governors. We also sense a host of opportunities, a host of opportunities that we believe need to be addressed quickly. They include such things as technology transfer.

New Mexico, as you well know, is one of the proudest of the research and development States. We have so much to offer in research and development. We've kept it a secret for far too long. When we speak of research and development, that comes from Los Alamos Scientific Laboratory or Sandia or the agricultural research here at New Mexico State. Much of that can be extended across the border to Mexico and be very helpful to them.

I think we have some educational and research programs that need to be advanced within the public schools, like the sharing arrangement that apparently exists now in Columbus, or be it higher education programs, where we exchange faculty members and/or exchange students. There are many more opportunities than we've taken advantage of. Some of those will require Federal assistance; many of them will be the responsibility of the State.

I would suggest to you that the best immigration policy that we possibly could have with the country of Mexico is economic development assistance with that country. The more we assist the Mexican Government and the Mexican people, the less likely we are to be troubled by the immigration problems that have plagued us in the past.

We would also like to address on our agenda, Senator, an item that needs some Federal assistance. Those are questions of the environment. We have discovered along the border, as U.S. Governors, that we do have some air-quality problems and some water-quality problems that will require a nation-to-nation response. We will address those on our agenda with the Mexican governors in October.

However, the resolution of those problems may require congressional as well as administrative support. We would like for you to join us as we discuss transportation. The economic linkage between Mexico and the border States will never be real until we solve some transportation problems.

It occurs to me that every year since I can recall, having moved to this part of the country, we have an annual ground breaking at Anapra for the port of entry. I think we've broken ground down there so many times they've about run out of ground to break. Yet, to my knowledge, we've never completed that transportation system in that port of entry, which is important if we're going to have that linkage.

We need, also from the Federal side, to consider the possibility of sharing a great deal of the expertise that resides in the Federal Government, in terms of natural resources management development with the Mexican Government. I recall from my days in the Department of the Interior the great expertise of the Bureau of Land Management with respect to range management. But most of all, it would seem to me that the Bureau of Reclamation, an agency I once headed, is in quest of a mission now, because most of our water projects and irrigation projects in the United States have been constructed. Looking for something for their expertise, they might look south of the border and decide they can go to the Mexican Government and offer that to them.

But above all, setting the tone for this conference, Senator, and to your committee, we realize that it's going to require the Federal Government, our Federal Government, and the border States working cooperatively with the private sector and the Mexican Government. We want to commit to that cooperative effort, and we want to be in quest of the opportunities. We sense that the opportunities are unlimited. We would like to participate in those opportunities, with the Mexican Government, along the border, and in the process solve a number of problems that are important to New Mexico, to the border States and to our country.

Thank you for sharing your concerns with border issues. We look forward to working with you in a very positive and productive hearing.

Senator DOMENICI. Governor, I want to thank you for your testimony. As usual, you have come up with some very exciting ideas for the agenda between border States. I'm hopeful that that agenda will be well received, and that we will begin to work together in some areas that can build mutual respect and confidence, because that is what we really need.

You're absolutely right. We can pass all the immigration bills in the world, and the problem is not going to go away unless and until the Republic of Mexico is successful in creating literally millions of new jobs for their people. We don't want to interfere. We want to be friends. The maquiladora program is one program that offers great hope for them, and great hope and benefit for our country and, hopefully, for New Mexico.

Today, after you leave us, we will hear about that program. I want to tell you that most of the time we talk about it as if there is little or no benefit to New Mexico, and that's true, relatively speaking. We have not been a major beneficiary. But we have discovered in preparing for this hearing that there is Honeywell in Albuquerque, NM, a very large employer, which is directly related to a maquiladora operation of theirs. We didn't know that.

Every map we've seen, where workers are charted, they show us workers in Ohio, middle America, Arizona, and California. Somehow or another, the few successes that we have here have escaped us, but that is a major one. It also has sister facilities here in your city, the city that you claim as your home residence. Honeywell has some facilities here that employ a number of people that would not be here but for that program.

I just want to close by asking you specifically; you know a lot about economics, and you're absolutely right, the sooner the United States understands that this is a worldwide economy and we stop looking at old-fashioned economic models—none of which seem to be relevant, all of which predict that America should already be bankrupt, in recession and in a depression with the fiscal facts, macrofiscal facts that exist today. So somebody doesn't know what they're talking about.

But, specifically, I would like to ask you, do you support the maquiladora program and could you share your version of why it is a mutually beneficial program? We have some people saying it's not so good for America. I don't believe that at all. It seems to me if we don't get that kind of relationship going, we lose many of those jobs in toto to either the East rim countries or others.

But I would like, if you wouldn't mind, for you to share just a few of your thoughts on that with the committee, so we will have them on record and so we will know as we move together down this path of economic development in southern New Mexico what your ideas are and where your thoughts are in that regard.

Governor CARRUTHERS. Thank you, Mr. Chairman. I would first comment on your comment about the ecomonists and the inability to explain the international economy anymore. That is probably why all of us find other kinds of work, and we find ourselves in this business. But we reach back occasionally to our training in economics to respond to those kinds of questions.

Yes, absolutely, I'm in support of the maquiladora program. It would be a very positive benefit to the State of New Mexico in a number of ways. It would be an excellent way for us to transfer technology from this country, technology that right now we have not commercially developed but could if we had the kind of labor supply that would be available through the maquiladora program in Mexico.

Second, you create employment in the United States through the maquiladora program. Not all employment will occur in Mexico. Some of it occurs in the United States. A good share of the management is in the United States. But also speaking as a Governor, always in quest of tax revenue, a good share of the tax revenue that would be realized as a result of this activity could be realized in the United States.

The United States is known to be a great marketer of goods and commodities. I would think that the maquiladora program would combine a willing and able labor force on the Mexican side, with the great marketing entrepreneurship that exists in the United States.

Last, as I look into the international economy, I have discovered that the interest of other foreign countries in investing in the United States is in part tied to the prospects in the maquiladora area. Taiwan has indicated that they've got a great interest in helping capitalize manufacturing industry in New Mexico, if, in fact, it could be related to a maquiladora operation.

I'll be in Japan this fall. I understand that there is some interest on the part of the businessmen and businesswomen in Japan of looking into the prospects of maquiladora. We have an extensive, long border. We have a good highway system and rail system that connects it. I see no reason why the maquiladora program can't expand somewhat to the extent that Texas has, in the near term. We are not plagued by the problem of having a river as a border and, as a consequence, I think it would be even more convenient to have that kind of twin plant operation in New Mexico than it would be in Texas.

Senator DOMENICI. Governor, last, I just want to comment and reflect a moment with you about the longstanding desire that we have a port of entry serving southern New Mexico. I, too, remember the annual trek down the Anapra road and the predictions that we would have a port. Actually, yesterday, I think we made the first giant step toward a port of entry, a new and different kind of port of entry.

The Santa Teresa is very apt to be a model port. If things develop the way people think they might there, it will be the first user-fee port of entry in the United States, at least on this border. We think that is an exciting idea. It will permit that facility to grow as needed, and will not permit anyone to make any profit of the port; but those who use it for commercial purposes will pay a reasonable fee.

We think that they will do that willingly once economic development starts, because we think they're going to get their money's worth. We think there will be less bottlenecks, less problems that just seem to be prevalent at every port of entry of any consequence; with delays, commerce is thwarted. We think this experiment is going to work. We think in the not too distant future we can work together with the people developing that part of New Mexico and their friends in Mexico, and see that become a real living reality of innovativeness and some real dreams.

We want you to be involved in it in the not too distant future. We hope we can go down there and share some successes. I can share with you that many American companies are now more interested than in the past because of the equity swap encouraged by the United States to alleviate some of the debt problem of Mexico. Not all of it, but some of it. It has brought a number of American companies into the area looking for plant locations, brought some foreigners into the area. They too could accomplish the same beneficial results for Mexico, which is getting rid of some of their debt and keeping currency at home and having a corporate debtor paying a building off, which in turn will be paying part of Mexico's debt off.

It's a very exciting idea. We hope it's going to work for us. I'm sure that you will be part of that and will help where you can. Again, I want to thank you on behalf of the committee for taking time to be with us today. You really set our afternoon hearing out on the right tone, and I hope you have a good day. I look forward to seeing you soon.

Governor CARRUTHERS. Thank you, Senator. Good luck in your hearings, and we'll see you soon.

STATEMENT OF JAMES C. PIATT, REGIONAL ADMINISTRATOR, SOUTHWEST REGION, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

ACCOMPANIED BY:

JACK FLYNN, ASSISTANT DISTRICT DIRECTOR, EL PASO DISTRICT, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

MIKE MACK, EL PASO DISTRICT DIRECTOR, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

DON GOUGH, SPECIAL ASSISTANT, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

IVAN CHAPIUS, ASSISTANT DISTRICT DIRECTOR FOR INSPECTION AND CONTROL, U.S. CUSTOMS SERVICE, DEPARTMENT OF THE TREASURY

Senator DOMENICI. Can we have Mr. James Piatt, regional administrator of the Southwest region of the U.S. Customs Service. Tim, you're going to follow him, so if you could kind of get ready, from the U.S. Trade Representatives Office.

Do you want to introduce the people that you have brought with you; just in the event they want to speak up or I ask them a question, we'll have them of record, please.

Mr. PIATT. Yes; Mr. Chairman, right here, I have Mr. Jack Flynn, assistant district director for the El Paso District which services all of New Mexico; as well as district director Mike Mack, El Paso. I have my special assistant, Don Gough, and I have Ivan Chapuis, assistant district director for inspection and control.

Senator DOMENICI. Thank you very much. Please proceed.

PREPARED STATEMENT

Mr. PIATT. Mr. Chairman, with your permission, I have a lengthy statement I submitted to your office, but I would like to present a brief summary.

Senator DOMENICI. We'll make your statement a part of the record, and you can summarize it.

[The statement follows:]

STATEMENT OF JAMES C. PIATT

I APPRECIATE THIS OPPORTUNITY TO APPEAR BEFORE YOU TODAY TO DISCUSS OUR EFFORTS TO FACILITATE TRADE AND REDUCE DRUG SMUGGLING.

THE SOUTHWEST BORDER STRATEGY, IMPLEMENTED IN FEBRUARY OF THIS YEAR, IS A SEVEN POINT ACTION PLAN DESIGNED TO IMPROVE OUR ABILITY TO FACILITATE CARGO AT THE BORDER WHILE AT THE SAME TIME INCREASING OUR ABILITY TO PROHIBIT THE USE OF COMMERCIAL CARGO, TRUCKS AND RAIL CARS FROM BEING USED TO CONCEAL NARCOTICS BEING SMUGGLED INTO THE UNITED STATES. THIS INITIATIVE RECOGNIZES THAT CUSTOMS CANNOT SHOULDER THIS BURDEN ALONE AND CALLS UPON THE BORDER COMMUNITIES AND THE TRADE TO ASSIST US IN ACCOMPLISHING THESE TWO GOALS.

INITIATIVE 1: RESOLVING TRUCK CLEARANCE PROBLEMS WITH MEXICAN CUSTOMS OFFICIALS AND MEXICAN COMMERCIAL INTERESTS.

- FREQUENT MEETINGS ARE BEING HELD WITH THE MEXICANS IN ALL OF OUR MAJOR BORDER CARGO PORTS. ARRANGEMENTS HAVE BEEN CONCLUDED TO ALIGN HOURS OF SERVICE BETWEEN U. S. AND MEXICAN CUSTOMS.

- AT NOGALES AND EL PASO, TRUCKS ARE NOW CROSSING INTO THE UNITED STATES EARLIER IN THE DAY TO HELP ESTABLISH A MORE UNIFORM TRAFFIC FLOW AND REDUCE DELAYS IN CLEARING COMMERCIAL TRUCKS.

- ARRANGEMENTS HAVE BEEN MADE WITH U. S. AND MEXICAN BROKERS AND OFFICIALS TO COORDINATE THE FLOW OF TRUCKS FROM NUEVO LAREDO INTO LAREDO. THIS HAS SIGNIFICANTLY REDUCED BACKUPS AND CONGESTION ON THE BRIDGES AT LAREDO.

INITIATIVE 2: DEVELOPING PROGRAMS TO PREVENT THE USE OF LEGITIMATE CARGO AND TRUCKS/RAIL CARS FROM BEING USED TO SMUGGLE NARCOTICS.

- WE ARE CURRENTLY WORKING TO IDENTIFY THE TYPES OF CARGO CARRIERS WHICH CAN BE MODIFIED TO PREVENT THEIR BEING USED TO SMUGGLE NARCOTICS. OUR DISTRICT DIRECTORS ARE WORKING WITH THE OWNERS AND OPERATORS OF THESE CARRIERS TO INSTALL GRATINGS AND/OR SEALS ON THE HATCHES TO PREVENT UNAUTHORIZED PERSONS FROM USING THEM FOR CONCEALMENT OF CONTRABAND.

(EXAMPLE) THE NOGALES DISTRICT IS WORKING WITH BLUE CIRCLE CEMENT COMPANY REGARDING PROCEDURES TO RESTRICT ACCESS TO THEIR RAIL CARS. THE COMPANY HAS EXTENDED AN INVITATION FOR CUSTOMS TO VISIT THEIR MAIN PLANT IN HERMISILLO. THE DISTRICT DIRECTOR, NOGALES HAS EXTENDED THIS INVITATION TO INCLUDE THE OFFICE OF ENFORCEMENT.

- WE HAVE IMPLEMENTED AN INTENSIVE EFFORT TO INSPECT EMPTY TRUCKS ARRIVING FROM MEXICO. BETWEEN 70% AND 100% OF THE ARRIVING EMPTIES ARE NOW BEING INSPECTED.

- WE ARE DEVELOPING A COMMERCIAL OPERATOR PROFILE (C.O.P.), A BORDER ENVELOPE TYPE SYSTEMATIC APPROACH TO INTERDICTING LARGE LOADS OF NARCOTICS CONCEALED IN COMMERCIAL TRUCKS/CARGO. I AM CONVINCED THAT THE ANSWER TO SIGNIFICANTLY IMPROVING OUR BORDER CARGO ENFORCEMENT POSTURE IS NOT TO ABANDON SELECTIVITY AND ATTEMPT TO DO THE IMPOSSIBLE - SEARCH EVERY TRUCK, TRAILER, RAILROAD CAR AND THE CARGO THEY CARRY. INSTEAD, WE MUST TAKE A MUCH MORE SOPHISTICATED APPROACH AND DEVELOP IN-DEPTH KNOWLEDGE OF BORDER COMMERCIAL BUSINESS PRACTICES AND BUSINESS RELATIONSHIPS ON BOTH SIDES OF THE BORDER. I INTEND TO USE THE C.O.P. INITIATIVE AS THE BASIS FOR A MAJOR MULTI-DISCIPLINE EFFORT TO DEVELOP THIS DATABASE AND WILL INSURE THAT THE NECESSARY REGULATORY AUDIT DIVISION, REGIONAL INTELLIGENCE BRANCH, COMMERCIAL OPERATIONS, AND INVESTIGATIVE RESOURCES ARE COMMITTED TO ACTIVE SUPPORT. ONCE THE LAREDO PROTOTYPE BECOMES FULLY OPERATIONAL, I WILL EXPAND THE EFFORT TO COVER THE EL PASO AND NOGALES DISTRICTS.

INITIATIVE 3: DEVELOPING AND PRESENTING TRADE SEMINARS TARGETING BOTH MANAGERS AND LINE EMPLOYEES.

* WE ARE PRESENTING TRAINING SEMINARS TO THE TRADE TO HELP THEM PREPARE CORRECT DOCUMENTATION (THEREBY REDUCING PROCESSING DELAYS), TO STRESS TO THEM OUR INTERESTS AND CONCERNS REGARDING NARCOTICS AND COMMERCIAL FRAUD, AND TO ENABLE THEM TO IDENTIFY SUSPICIOUS ACTIVITIES AND NOTIFY CUSTOMS WHEN THEY ARE OBSERVED. SEMINARS HAVE BEEN PRESENTED IN NOGALES, EL PASO, LAREDO, HIDALGO AND BROWNSVILLE.

INITIATIVE 4: ASSISTING BROKERS, IMPORTERS, EXPORTERS, TWIN PLANT OPERATORS AND CARRIERS TO ESTABLISH SECURITY PROCEDURES TO THWART CONSPIRACIES UTILIZING TRUCKS AND RAILROAD CARS.

* WE BELIEVE THAT LEGITIMATE COMMERCIAL INTERESTS SHARE OUR CONCERN OVER THE SMUGGLING OF NARCOTICS AND WILL BE WILLING TO INCORPORATE MEASURES INTO THEIR SECURITY PROGRAMS AND OPERATING PROCEDURES TO DENY THE USE OF THEIR EQUIPMENT AND FACILITIES TO THOSE WHO WOULD USE THEM TO CONCEAL NARCOTICS SHIPMENTS WITHOUT THE OWNER'S OPERATOR'S KNOWLEDGE. TO DATE OVER 55 COMPANIES HAVE RESPONDED FAVORABLY TO THIS IDEA. WE WILL BE WORKING WITH THE VARIOUS TRADE INTERESTS TO PROVIDE THEM ANY NECESSARY TRAINING AND ASSISTANCE IN ESTABLISHING SECURITY PROCEDURES.

INITIATIVE 5: IMPLEMENTING A "LINE RELEASE"SYSTEM.

* IN ORDER TO FACILITATE THE PROCESSING OF LEGITIMATE SHIPMENTS, WE HAVE DEVELOPED A SYSTEM WE CALL "LINE RELEASE". LINE RELEASE ALLOWS US TO PROCESS ROUTINE, REPETITIVE SHIPMENTS IN A MINUTE OR TWO. IT IS NOT NECESSARY TO REFER A TRUCK TO AN IMPORT LOT DOCK WITH THE LINE RELEASE SYSTEM. THE DRIVER PRESENTS A MANIFEST AND BAR-CODED INVOICE TO AN INSPECTOR AT THE COMMERCIAL LANE PRIMARY AND THE TRUCK IS RELEASED AFTER THE BAR

CODE INFORMATION IS ENTERED INTO OUR COMPUTER. ONLY A SMALL PERCENTAGE OF LINE RELEASE TRUCKS ARE SENT TO THE DOCK FOR RANDOM INSPECTION. THE LINE RELEASE SYSTEM HAS BEEN IMPLEMENTED AT NOGALES, EL PASO AND LAREDO AND IS BEING PHASED IN AT OUT OTHER MAJOR COMMERCIAL PORTS. WE ARE WORKING WITH THE TRADE COMMUNITY TO ENCOURAGE THEIR PARTICIPATION IN THE LINE RELEASE SYSTEM.

INITIATIVE 6: OBTAINING LOCAL SUPPORT FOR OUR WAR ON DRUGS.

* WE ARE TAKING OUR CASE TO SCHOOLS, SOCIAL ORGANIZATIONS, SERVICE ORGANIZATIONS AND OTHERS. TO DATE, WE HAVE MADE OVER 135 PRESENTATIONS AT OUR BORDER PORTS TO A COMBINED AUDIENCE IN EXCESS OF 11,000 PEOPLE. IN ADDITION, WE HAVE DISTRIBUTED OVER 43,000 BROCHURES THROUGH THE COOPERATION OF BANKS AND CREDIT UNIONS WILLING TO INCLUDE THEM IN THEIR STATEMENTS, PLACED NUMEROUS BILLBOARDS ALONG THE BORDER, DISTRIBUTED A COLORING BOOK DEVELOPED BY THE LAREDO DISTRICT TO TAKE OUR MESSAGE TO THE ELEMENTARY SCHOOLS, AND APPEARED ON LOCAL TELEVISION PROGRAMS.

INITIATIVE 7: ESTABLISHING CENTRALIZED EXAMINATION STATIONS.

* WE ARE IMPLEMENTING A CENTRALIZED EXAMINATION POLICY TO MAKE BETTER USE OF OUR RESOURCES AND TO ENABLE US TO CONDUCT INTENSIVE EXAMINATIONS OF SUSPECT SHIPMENTS EFFICIENTLY AND WITHOUT UNNECESSARY DELAYS. THIS CONCEPT CALLS FOR ESTABLISHING ONE OR TWO CENTRAL LOCATIONS AT EACH PORT WHERE ALL SHIPMENTS REQUIRING EXAMINATIONS WILL BE PROCESSED.

* AT NOGALES, LAREDO, AND HIDALGO, THE IMPORT LOTS ARE BEING UTILIZED FOR THIS PURPOSE.

* AT EL PASO, DUE TO THE SMALL IMPORT LOT, THE CES FACILITIES ARE LOCATED INLAND FORM THE BORDER CROSSING. THE TWO EL PASO CESS HAVE ENABLED US TO SIGNIFICANTLY INCREASE THE NUMBER OF

TRUCKS EXAMINED. DURING THE PERIOD COVERED BY THIS REPORT, EL PASO HAS BEEN UNLOADING BETWEEN 10 AND 15% OF ALL ARRIVING TRUCKS.

* THE DISTRICT DIRECTOR, LAREDO RECENTLY MET WITH THE TRADE REGARDING DESIGNATION OF A CES FOR BROWNSVILLE.

* THE DISTRICT DIRECTOR, NOGALES IS NEGOTIATING THE DESIGNATION OF A CES IN THE SAN LUIS/YUMA AREA.

FACILITIES: WE ARE ALSO WORKING TO UPGRADE OUR CARGO PROCESSING FACILITIES AT OUR BORDER PORTS.

* SANTA TERESA, NEW MEXICO IS A HAS BEEN APPROVED AS NEW USER FEE AIRPORT. THE PROPOSED INSPECTIONAL FACILITY WILL HAVE EASY ACCESS TO I-10 AND WILL BE VERY CONVENIENT FOR WESTBOUND TRAFFIC. THIS BORDER CROSSING WILL HAVE THE CAPACITY TO EXPAND INTO A LARGE COMMERCIAL FACILITY AND SHOULD EASE TRAFFIC CONGESTION AT EL PASO AND CUIDAD JUAREZ.

* NOGALES' COMMERCIAL FACILITY IS ONE OF THE NEWEST AND BEST EQUIPPED CARGO PROCESSING FACILITY IN THE SOUTHWEST REGION'S THREE BORDER DISTRICTS. WE ARE; HOWEVER, PROPOSING SEVERAL IMPROVEMENTS - WIDENING THE ENTRANCE DRIVE INTO THE COMPOUND TO ALLOW FOR TWO TRUCK LANES AND TWO PRIMARY INSPECTION POSITIONS WITH LINE RELEASE EQUIPMENT, RELOCATING THE EXIT GATE CONTROL BOOTH TO PROVIDE BETTER CONTROL OVER TRUCKS EXITING THE FACILITY, AND REMODELING OFFICES TO ACCOMMODATE NEW AUTOMATED SYSTEMS AND IMPROVE EFFICIENCY.

* EL PASO'S IMPORT LOT IS A VERY SMALL FACILITY. SHORT TERM PLANS INCLUDE REPAVING THE LOT AND CONSTRUCTION OF FOUR LINE RELEASE LANES. LONG TERM PLANS INCLUDE ACQUIRING THE LAND FOR NEW FACILITIES FOR BOTH NON-COMMERCIAL AND COMMERCIAL TRAFFIC.

ON THE COMMERCIAL SIDE, THIS INCLUDES THE CONSTRUCTION OF A NEW, LARGER IMPORT LOT, A NEW COMMERCIAL VEHICLE PRIMARY INSPECTION FACILITY AND A NEW COMMERCIAL DOCK AND OFFICE FACILITY SIMILAR TO THE NOGALES FACILITY.

- LAREDO'S IMPORT LOT IS VERY CONGESTED. WE HAVE OBTAINED AN AGREEMENT FROM THE CITY GOVERNMENT TO SIGNIFICANTLY ENLARGE THE IMPORT LOT ITSELF. THE CITY HAS AGREED TO FUND THIS ENLARGEMENT BOOTHS WILL BE INSTALLED AND EXISTING OBSTRUCTIONS BE REMOVED. LONG RANGE PLANS CALL FOR ACQUIRING ADDITIONAL LAND ADJACENT TO THE LINCOLN-JUAREZ BRIDGE AT LAREDO TO CONSTRUCT A NEW COMMERCIAL FACILITY.

- HIDALGO'S COMMERCIAL FACILITY IS THE OTHER NEW, WELL EQUIPPED CARGO PROCESSING FACILITY IN THE SOUTHWEST REGION. IT WAS BUILT IN 1982. LONG TERM IMPROVEMENT PLANS FOR HIDALGO INCLUDE REPAVING THE IMPORT LOT, INSTALLATION OF LINE-RELEASE BOOTHS, IMPROVED LIGHTING AND MODIFICATIONS TO THE CARGO DOCK.

STAFFING: THE FOLLOWING REPRESENTS OUR BORDER PORT CARGO STAFFING AS OF JULY 15, 1987:

- LAREDO DISTRICT: LAREDO - 21 INSPECTORS - PROVIDE COMMERCIAL SERVICE AT 2 VEHICLE BRIDGE AND 1 RAILROAD BRIDGE; BROWNSVILLE - 10 INSPECTORS; HIDALGO - 6 INSPECTORS; EAGLE PASS - 3 INSPECTORS; DEL RIO, ROMA, RIO GRANDE CITY, PROGRESSO - 1 INSPECTOR EACH.

- EL PASO DISTRICT: EL PASO - 16 INSPECTORS; COLUMBUS, PRESIDIO - LESS THAN 1 INSPECTOR EACH.

- NOGALES DISTRICT: NOGALES - 6 INSPECTORS; SAN LUIS - 3 INSPECTORS; DOUGLAS, LUKEVILLE - 1 INSPECTOR EACH; SASABE AND NACO - LESS THAN 1 INSPECTOR EACH.

SUMMARY

U. S. CUSTOMS WILL CONTINUE, MR. CHAIRMAN, TO MAKE THE FACILITATION OF TRADE A MAJOR PRIORITY IN THE SOUTHWEST. YOU CAN BE ASSURED THAT DURING MY TENURE AS REGIONAL COMMISSIONER, THIS TREND OF PROGRESS WILL CONTINUE. I THANK YOU SINCERELY FOR THIS OPPORTUNITY TO APPEAR BEFORE YOU TODAY. I WILL BE PLEASED TO RESPOND TO ANY QUESTIONS YOU OR MEMBERS OF THE SUBCOMMITTEE MAY HAVE.

Mr. PIATT. Mr. Chairman and members of the subcommittee, I appreciate this opportunity to appear before you today to discuss our recently implemented Southwest border strategy. This strategy is a seven-point plan to improve our ability to expedite cargo at our border ports while at the same time deny the availability of commercial cargo, trucks, and railcars to those who would use them to smuggle narcotics. This initiative recognizes that Customs cannot shoulder this burden alone, and calls upon the border communities and the trade to assist us in accomplishing these goals.

Our first initiative has been to resolve truck routing and clearance problems with Mexican customs officials and trade interests. We are meeting regularly with Mexican authorities at all our border ports to align our hours of services to establish a more uniform traffic flow and reduce delays in clearing commercial shipments. This initiative has resulted in decreased delays in Nogales, El Paso, and Laredo.

Our second initiative calls for the trade to develop methods to prevent their trucks and railcars from being use to smuggle narcotics without the owner's or operator's knowledge. We are working with the trade to install gratings, seals, and other protective devices on their trucks. As an example, our Nogales district is now working with the Blue Circle Cement Co., to protect their railcars in this manner. We have also initiated an intensive effort to inspect at least 70 percent of the empty trailers entering into the United States. We are developing a commercial operator profile. This is a border envelope-type systematic approach to interdicting large amounts of narcotics concealed in commercial shipments and vehicles.

This profile program represents a new approach for us on the Mexican border, developing in-depth knowledge of border business practices and business relationships on both sides of the border. This program will be a major multidiscipline effort, and I will ensure that the necessary intelligence, audit, investigative, and commercial sides of Customs join our inspector force in accomplishing our goals of facilitating the honest businessman and eliminating the appeal of using commercial transactions to conceal contraband.

Our third initiative is to present training seminars to the trade. These seminars include workers as well as managers, and stress our interests in detecting narcotics and fraud without causing delays to legitimate trade. We hope to enable the business community to identify suspicious activities and call them to our attention.

Our fourth initiative is to help the trade improve their internal security procedures to the extent that they can thwart potential conspiracies to use their shipment and equipment for smuggling purposes.

Our fifth initiative, and perhaps the most important initiative, is our line release system which enables us to release shipments of routine and recurrent types of cargo from legitimate companies without having to refer the truck into an import lot dock. This system makes use of new data processing equipment and recently developed data base. Using line release, our officers can release a shipment in 2 minutes or less. Line release has been implemented in Nogales, El Paso, and Laredo.

Our sixth initiative is to pursue local support in our war on drugs by making personal appearances and giving presentations to civic and social groups, schools, and churches. To date, we have made over 135 such presentations to over 11,000 people and have distributed over 43,000 brochures through the cooperation of banks, credit unions, and utility companies.

Our seventh initiative involves improving our ability to conduct thorough examinations through the development of centralized examination stations at our busier commercial ports. This concept calls for establishing one or two central locations in each port where all shipments requiring examination will be processed. At Nogales, Laredo, and Hidalgo, the import lots are being used for this purpose. At El Paso and Brownsville, due to the inadequate size of their import lots, the examination stations are located inland from the port of entry, with the exception that we do have a small amount of processing in the El Paso lot.

We are also working to upgrade our cargo facilities at our border ports. This includes opening an inspectional facility at Santa Teresa, NM; improving access to our import lot in Nogales and upgrading the offices there; repaving the El Paso import lot and installing new line release booths; and expanding the Laredo import lot.

U.S. Customs will continue, Mr. Chairman, to make facilitation of trade a major priority in the Southwest. You can be assured that during my tenure as regional commissioner this kind of progress will continue.

I thank you for this opportunity to appear before you today. I will be pleased to respond to any questions that you or the members of the subcommittee may have.

Senator DOMENICI. First, I would state, not only to you but everyone who is in your company here, how much we appreciate your taking time to be with us.

Second, we're very aware of how difficult some of the operations that you manage are. And third. we appreciate and understand the balance between commerce and your responsibility to prevent the importation of drugs and contraband in the United States, and sometimes that is not as easy to manage in the field as it is to state on a piece of paper.

As a general proposition, would it be fair to say that without shirking your responsibility with reference to contraband and illegal drugs and the smuggling of illegal and contraband items, you clearly have a concern about the orderly development of commerce between the two countries and the orderly movement of legal commerce; that that is a very important part of your mission, and you are concerned about some of the bottlenecks that exist and are trying to do something to solve them as soon as possible? Is that a fair summary of what I understand we're trying to do?

Mr. PIATT. Yes, it is, Senator. We are very sensitive to the trade issues in the southern border, and we understand how important that is to the communities.

Senator DOMENICI. Let me ask, is a substantial portion of this problem of long delays at some of the border crossings, in your opinion, predicated upon the fact that some of the facilities are just inadequate, not capable of handling the load, or is it more of a human and personnel problem?

Mr. PIATT. It's probably a mix of both, but definitely the facilities, in many cases, are inadequate. They're outdated. They don't in any way have modern traffic flows to keep traffic moving. Many times you've got truck traffic having to vie for space on the same bridges that you have regular vehicle traffic on. So there's a number of reasons.

Senator DOMENICI. Where would you say, on the Southwest border—either you or any of those who would care to respond—are the most difficult places in terms of legitimate commerce having serious bottlenecks? Is El Paso one of the worst?

Mr. PIATT. The El Paso import facility is vastly inadequate. That's why I happen to think that the Santa Teresa project has a very good chance of being beneficial. Because the El Paso facility just is not good enough for us to use. I mean, we're using it, but it's not a good facility.

Senator DOMENICI. Any other comments from you, any of you who are here that work close to that?

Mr. MACK. Well, Senator, the facility at Ysleta is definitely in need of improvement. That is scheduled for reconstruction, and there will be an import lot put in there when it does come up. But right now, when the trucks cross, they're vying for space with the passenger traffic, and it's a very bad situation.

I would also add that not in Laredo, but in Nogales, the access to the import lot which was raised yesterday in another hearing is a problem that needs to be addressed.

Senator DOMENICI. Let me say to you who were not with us yesterday—and I'm sure that you will not take this as lecturing you all. You have to live with the difficult situation all the time, and I don't intend it to be. I think what we did learn yesterday in Nogales is that it really is incumbent upon us to communicate regularly with the major business sector that uses these facilities, so that we're regularly in tune with what their problems are.

That is not to say that they are always right, and that is not to say that we want to recede on the issue of trying to make sure we're getting all of the illegal material that is coming across, but I think the more time you can spend with the commercial groups, making sure that you know their problems and that they understand yours—and I think that is both ways—the better off things will work.

I think we found that out on this trip already. And they aren't right all the time. I want to repeat, sometimes they exaggerate, and sometimes they don't understand who is doing what. Sometimes they blame you for what is not your problem, and we're beginning to understand that also. Does anybody want to comment on that?

Mr. PIATT. I agree with you, Senator. I think quite often we will make changes, and if we don't explain those changes and somewhat the rationale behind those changes, then the public simply doesn't know why are we doing this and what in the hell are we trying to accomplish by this change; when, in fact, if we just sat down with them beforehand and talked about it, they might have suggestions on how we can do it better.

Senator DOMENICI. I would like to state for the record, and because most of the witnesses here this afternoon are experts in some aspect or other of the maquiladora program or economic development between the two countries, as I recall it—and would you please correct me if I'm mistaken—it is correct, is it not, that significant illegal drugs are discovered in the normal investigative process of utilizing these crossings wherein searches occur and seizures do take place?

Some think that is a waste of time, to hold people up, but I understand you do find significant contraband in that process. Is that true?

Mr. PIATT. Yes, sir; we find contraband all the time. One of the reasons why—in the initiatives we talked about, one of the things we are doing in working with the maquila trade is, we tend to believe that that is a low risk import; and to the extent that we can put this type of merchandise on line release, then we will benefit by moving the traffic quicker. And the public will benefit, also. That is why we want to do some training with them, so they aren't unwittingly used by some of their employees to smuggle narcotics.

Senator DOMENICI. My last question is by way of an explanation of what Senator DeConcini and I intend to do this year as part of the appropriations bill and get some of your quick thoughts on it. We have been unable, ~~in~~ the short time that he and I have undertaken this job, to get a total assessment of the U.S. border facilities. We have at least a skeleton outline, a beginning point of what's needed to modernize all border facilities. We intend to get started introducing that this year, if we possibly can, in the appropriations process, the beginning of a total renovation and modernization of the ports of entry.

Obviously, you're not in the position, as a part of the executive branch, to endorse such a concept, but might I just ask this question. Generally speaking, would you agree that there is a need for that kind of an inventory and assessment, and that the time might very well be upon us, and we better get started in some orderly way at a total modernization and renovation of these facilities?

Mr. PIATT. Yes; I agree very much. Facilities like Ysleta, Columbus, where, fortunately, we're going to have a new facility soon. Some of these facilities are 50 years old. They were designed for Model A's and Model T's to come through. We're in a different age now. So I wholeheartedly endorse that.

Senator DOMENICI. Would any of you like to contribute anything further for the record?

We thank you very much and appreciate your time and your cooperation on this whole trip.

STATEMENT OF B. TIMOTHY BENNETT, DEPUTY ASSISTANT UNITED STATES TRADE REPRESENTATIVE FOR MEXICO

PREPARED STATEMENT

Senator DOMENICI. Next is Timothy Bennett, deputy assistant U.S. trade representative.

Mr. Bennett, again, I thank you for joining us on this trip. I personally think that this has been mutually helpful. I hope you share that. I think it's good for us to get out of Washington, and I hope I'm not speaking out of turn, but I think it's good for those who represent us in trade matters to leave Washington and get down in the field where people are having the problems, and let them share with you and let them hear you.

I'm very appreciative you've taken so much time, and I thank our trade ambassador for permitting you to come. You have prepared some remarks that will be made part of the record, and we'll be glad to have you summarize your views on the situation as it exists between Mexico and the United States, with some emphasis, if you choose, on the maquiladora program.

[The statement follows:]

STATEMENT OF B. TIMOTHY BENNETT

My name is Tim Bennett and I am Deputy Assistant United States Trade Representative for Mexico. The Office of the United States Trade Representative appreciates the opportunity to appear before this committee to discuss measures taken to facilitate the flow of legitimate trade between the United States and Mexico. I would first like to present an overview of our bilateral trade and investment relations before discussing the specific details of the environment in which that trade takes place.

OVERVIEW OF UNITED STATES/MEXICO TRADE AND INVESTMENT FLOWS

The United States is by far Mexico's largest trading partner. The United States supplied 67 percent of Mexico's total imports in 1986, while roughly 62 percent of Mexico's total exports in 1986 were destined for the United States market.

Mexico also is an important trading partner for the United States. In 1986 Mexico was our fourth largest trading partner overall, ranking behind only Canada, Japan, and West Germany. Total two-way trade in 1986 was $30 billion. In earlier years Mexico had ranked as our third largest trading partner overall, but last year's precipitous drop in petroleum prices caused the country to fall to fifth place in terms of the value of imports it supplied to the United States market. The following table shows the two-way trade flows and the balance in merchandise trade between the two countries for the 1981-86 period:

UNITED STATES/MEXICO BILATERAL TRADE

[In billions of dollars]

	1981	1982	1983	1984	1985	1986
United States exports to Mexico	17.8	11.8	9.0	12.0	13.6	12.4
From Mexico	14.0	15.8	17.0	18.3	19.4	17.6
Total	3.8	(4.0)	(8.0)	(6.3)	(5.8)	(5.2)

SOURCE: Bureau of the Census, U.S. Department of Commerce.

Prior to the onset of Mexico's financial crisis in 1981 the United States traditionally maintained a trade surplus with Mexico. Beginning in 1982, our bilateral merchandise trade fell into a deficit situation. The magnitude of the deficit peaked in 1983 and has moderated gradually since that time. While United States exports to Mexico have not regained the high level achieved in 1981, they have rebounded somewhat from their lowest level in 1983. In 1986, United States exports fell, as did Mexico's imports overall, reflecting the 3.5-percent contraction in Mexico's economy. With the Mexican Government projecting a 2-percent growth rate for 1987, prospects for United States sales to the country look somewhat brighter this year than they did in 1986. In fact, United States exports to Mexico so far in 1987 have increased 5.5 percent over 1986 levels.

United States imports from Mexico have grown steadily, with the exception of 1986, with an average annual rate of increase in imports by value of nearly 9 percent for the 1981-85 period. The decrease in the value of United States imports last year was due to the sudden drop in the value of Mexico's petroleum exports during the first half of 1986.

Despite the drastic decrease in the value of Mexico's petroleum shipments, which traditionally accounted for more than one-half of Mexico's export shipments and as much as 70 percent of the country's foreign exchange earnings, Mexico made impressive gains in 1986 in increasing nonpetroleum exports. The country's exports of manufactured goods and agricultural products were up 34 percent in 1986 relative to 1985, and statistics for 1987 indicate that manufactured exports have increased 50 percent compared to the same period in 1986. Even though the value of Mexico's agricultural exports are down in early 1987 relative to 1986, largely due to decreases in the price of coffee and tomatoes, these statistics reveal that an important change in the product mix of Mexican exports is taking place. Should this increasing diversification in Mexico's export sector continue, it would mean greater stability for the Mexican economy in spite of the vagaries which may occur in world petroleum or agricultural commodity markets.

Major United States exports to Mexico in 1986 included auto parts, electronic tubes, electrical switches, office machinery components, and soybeans. Principal United States imports from Mexico in 1986 were crude petroleum, coffee, automobile engines, and other automobile parts.

The United States has consistently registered surpluses with Mexico in services trade, providing a partial offset to the merchandise trade deficit in our current account balance. In 1985, the overall surplus in bilateral services trade was nearly $1.7 billion. This trade is characterized by tourism dollars flowing south and interest payments on Mexican debt flowing north.

Mexico is the 13th largest destination for United States direct foreign investment, even though total foreign direct investment accounts for only 4.5 percent of all investment in the country. Currently, the United States direct investment position (cumulative) in Mexico is estimated at about $5 billion. The big three auto companies all have extensvie investments in Mexico, as do a number of United States companies in the chemical, computer, and tourism industries. The United States holds the largest share of direct foreign investment in Mexico (about 60 percent of the total), followed by Switzerland (9.9 percent), the Federal Republic of Germany (9.3 percent), Japan (6.3 percent), and Canada (2.5 percent).

United States direct foreign investment position in Mexico

	Billions
1981	$7.0
1982	5.6
1983	5.1
1984	4.6
1985	5.1

UNITED STATES/MEXICO TRADE AND INVESTMENT RELATIONS

The major objective of United States trade polcy vis-a-vis Mexico has been and is to reduce to a minimum barriers to the flow across the border of trade in goods and services and investment capital. In other words, the administration's goal has been to improve the environment in which commercial and investment relations are conducted. We are pleased that substantial progress has been made in the last 2 years toward reducing Mexican trade barriers. Although some of that progress resulted from discussions with the United States, much of it resulted from trade reform measures taken unilaterally by the De la Madrid administration as part of its effort to encourage restructuring of the Mexican economy toward an export orientation. Thus, while implementing certain economic reform measures for its own internal reasons, Mexico has simultaneously reduced or even eliminated certain trade barriers that have been long-standing sources of bilateral irritation.

Import licenses, high tariffs, and official reference prices for customs valuation purposes (minimum import prices) are the three primary market access barriers to Mexico. All three have been subject to significant liberalization over the past 2 years. In mid-1985, 4,513 tariff lines in the Mexican tariff schedule (about 8,150 total tariff lines) were subject to import licensing requirements. That number has been gradually reduced to 434 tariff lines, with the most recent licensing requirement eliminations having been announced in late July. The United States believes that many of the remaining licensing requirements are GATT incompatible and hopes that further liberalization will be implemented later this year.

There have also been major reductions in Mexican tariffs over the past 14 months. In May 1986 Mexico implemented the first phase of a four stage tariff reduction program that affects most Mexican tariffs and will result in a maximum applied tariff of 30 percent by October 1988. These unilateral tariff reductions are in addition to the bound tariff reductions made by Mexico as part of its accession to the GATT in 1986. Unfortunately, the major devaluation of the peso over the past year has eroded for the time being much of the commercial value of reduced Mexican tariffs. Even in good times a 30-percent tariff is oftentimes prohibitive. Thus, the United States intends to seek further reductions in Mexican tariffs of particular interest during the Uruguay round negotiations.

There is also positive news with respect to official reference prices. As part of its accession to GATT, Mexico committed to the total elimination of this protectionist tool by the end of 1987. Since last summer Mexico has reduced the use of official prices from about 1,200 tariff lines to 53 by the end of this July. In addition to this accelerated phaseout prior to December 31, 1987, Mexico has also reduced the amount of the official prices that are currently still in effect.

The signifìciant measures taken by Mexico in reducing licensing requirements, tariffs, and official reference prices have all improved the bilateral trade climate, promoted a freer flow of goods in the border region, and reduced the incentive for smuggling.

In addition to the improvements in market access described above, the United States and Mexico are in the final stages of negotiating a bilateral framework agreement on trade and investment. The major aim of this agreement is to establish certain principles which would apply to the bilateral trade and investment relationship and create a consultative mechanism which can be used to clarify respective trade policies, resolve specific disputes, or negotiate the reduction or removal of barriers. This agreement would supplement the principles and mechanisms provided by the membership of both countries in the GATT. It is recognition of the fact that GATT doesn't cover all trade issues and covers investment issues inadequately. The bilateral agreement is also reflection of the size and importance of our bilateral economic relationship. Problems are normal when so much trade is flowing across the border. The bilateral agreement will establish a mechanism for addressing those problems before they escalate to politically difficult proportions. It is a concrete attempt to add further stability to the bilateral trading relationship and a concrete signal to our respective private sectors that the two governments are committed to at least attempting to resolve trade problems in an expeditious manner.

There is no question about the importance of 806.30/807.00 trade between the two countries. United States companies have made extensive use of the Mexican maquiladora program. Earlier this year there was some preliminary consideration given by certain Members of Congress to modifying or eliminating U.S. tariff provisions 806.30/807.00. A few weeks ago, Congressman LaFalce introduced legislation to terminate these tariff provisions. The administration is opposed to any such modification or termination. We continue to believe that offshore operations using these two tariff provisions are, on the whole, of net economic benefit to the United States. The U.S. International Trade Commission is currently studying the economic impact on U.S. production and employment of the use of these two tariff provisions. That study, which was requested by the House Ways and Means Trade Subcommittee, should be ready by the end of the year.

Inadequate intellectual property protection can be a major disincentive to marketing technologically advanced products in a country or to investing to produce such products in a country. The United States believes that certain provisions of the Mexican patent and trademark law are inadequate, especially provisions in article 10 of that law that postpone product patent protection for certain subject matter for 10 years. An amended patent and trademark law which contains many improvements was implemented by Mexico in January of this year. However, it failed to address sufficiently certain serious shortcomings, such as the one referred to above. The United States intends to discuss these problems in detail with the Mexican Government under the framework agreement consultative mechanism.

A trade problem of particular concern to the border region is the inequality of access for trucking services between the United States and Mexico. Many Mexican trucks and drivers are able to operate in United States border regions, while United States truck cabs and drivers are, in general, prevented from operating in Mexico. The United States has responded to this inequitable situation by limiting Mexican trucking operations to commercial zones immediately adjacent to the border and by placing a moratorium on ICC operating authority for Mexican motor carriers. Unfortunately, these measures have not persuaded the Mexcian Government to liberalize access for United States truck cabs and drivers. The administration might consider seeking future consultations with the Mexican Government on this issue under the consultative mechanism of the framework agreement.

United States/Mexico trade is obviously a two-way affair, and the flow of certain goods northward do encounter certain barriers. In general, the United States market is quite open to Mexican products. The average United States tariff is 3.1 percent, with about 20 percent of Mexican exports to the United States entering duty free. There are no section 201 or 301 measures in place against Mexican exports. There are a number of antidumping and countervailing duty measures in place against certain Mexican products, but those are in response to unfair trade practices. Mexican meat exports are embargoed for health and sanitation reasons, but this import ban is currently under review by USDA. The United States and Mexico are renegotiating the bilateral textile agreement this very week in Mexico, with the United States having committed itself to taking into account the problem of 807 trade. Finally, the United States is reexamining the level of quotas under Mexico's steel export restraint agreement.

The administration will continue to do as much as it can to promote as free a flow as possible of goods and services and investment capital across the border. We are keenly aware of the importance of a strong economic relationship and intend to continue working with out Mexican counterparts to further reduce trade barriers.

This concludes my prepared statement. I would like to thank the committee for the opportunity to present this information.

Mr. BENNETT. Thank you very much, Senator. You are absolutely right. It is tremendously valuable for the trade experts, the people out negotiating with foreign governments to actually get outside of Washington and meet with the businessmen, the private sector, the trade associations, the State Governor representatives who are involved in a daily basis in the commercial interaction, and I have found this trip to be extremely valuable.

What I would like to do is, as you have stated, summarize my prepared remarks and, in general, emphasize the importance that the administration places upon the economic and political relationship with Mexico.

Governor Carruthers very correctly noted the importance of trade between the United States and Mexico. Mexico is now our fourth largest trading partner, and we're talking about a commercial relationship of $30 billion and growing. The United States is equally important, if not more so, to Mexico, with 60 percent of total Mexican imports coming from the United States, and 62 percent of its exports destined for the United States.

Now, what our overall objective has been in our policy toward Mexico is to try and create a trade and investment relationship that is open, predictable, stable, and minus as many trade barriers as possible. Fortunately, I can report that there has been substantial progress in the area of trade liberalization, vis-a-vis Mexico, over the last 2 years.

Longstanding irritants in the post-World War II period have been tariffs, excessively high tariffs, the use of official reference prices for custom evaluation purposes and import licenses. Substantial progress has been made in all three areas in the last 2 years. That progress is continuing, and we expect it to continue through the end of the De la Madrid administration. Admittedly, a lot of this progress has taken place for Mexico's own internal reasons, but at the same time, it has satisfied and reduced longstanding irritation in the area of trade policy, and, we hope, promoted improved commercial relations between the two countries.

An additional example of the liberalization process was the entry by the Mexican Government into the general agreement on tariffs and trade last year. And we have found, despite some misgivings at the beginning, that Mexico has acted in a very responsible fashion as a new member of the GATT.

Now, the maquiladora issue is one that receives increasing amount of attention in United States/Mexico trade policy. There are a number of points I would like to make on that particular issue. The first is that there is a pervasive misunderstanding in the United States, especially in Washington, as to what the maquiladora program is all about.

The maquiladora program is a Mexican Government program. It is not run nor controlled in any way by the U.S. Government. The United States does have two tariff provisions, tariff provisions 806.30 and 807. In the case of 806.30 it predates by 30 years the establishment of the maquiladora program. These tariff provisions were not established by the United States Congress for Mexico specifically. In fact, Japan and West Germany use those tariff provisions more than does Mexico. However, they are a complement to the maquiladora program and the administration is opposed to any attempts by the U.S. Congress to modify or eliminate those tariff provisions.

There was legislation introduced on August 7 in the U.S. House of Representatives which would call for the termination of those tariff provisions. The administration believes that offshore, speaking generically, that offshore operations have proven to be of net economic benefit to the United States.

The U.S. International Trade Commission is now studying the whole issue of the impact, the net economic impact on U.S. production and employment of such operations. That study, which was requested by the House Ways and Means Trade Subcommittee, is expected to be completed by December. There are public hearings on that subject which will be held next Tuesday in Washington, and which are open to any interested party, foreign or domestic. The administration looks forward to that impartial study, and we believe that there is a good chance that it will reaffirm our belief that programs such as the maquiladora program are of economic benefit to the United States.

Now, the question has increasingly come up as to what the United States reaction should be to increasing non-United States, non-Mexican investment in the maquiladora operations. In fact, some of this has coincided with extensive concern in Washington, both on the part of the administration and the Congress, in terms of our trade relations with Japan. Because what has primarily been happening is increasing Japanese attention and some Japanese investment in maquila operations.

The administration does have a position on this type of investment. That is that the administration is not opposed to such investment. We recognize, No. 1, that investment in Mexico is a sovereign decision of the Mexican Government. No. 2, the United States has, in fact, in recent years encouraged Japan to play a more responsible role in lending to and investing in debtor countries such as Mexico No. 3, there are concrete economic benefits for the United States of increased investment in maquila operations by non-U.S. investors.

In the case of Asian investors, what we're looking at is an increased opportunity to sell United States components and United States service transactions to the Asian maquila operators. We believe our chances are much greater in selling components to those operations than they are when those operations are entirely located in Asian locations.

Governor Carruthers mentioned the possibility of Taiwanese interests in maquila investment. I know the Koreans and Hong Kong investors are also looking at it. I would just make a personal observation that I think the Mexican Government will not look favorably upon Taiwanese investment on maquila operations. The reason for that is the Government of Mexico does not have diplomatic relations with Taiwan, and I think it made it clear to the People's Republic that they will not look favorably upon such Taiwanese investment.

Now, the United States does have certain trade policies that do impact, some argue, adversely upon certain investments in maquilas. Specifically, we do maintain quotas, quantitative restrictions, in both textile imports in Mexico and steel imports in Mexico. These have had some adverse impacts on export levels from those operations and have been a disincentive to some investment in some operations.

I don't have anything too encouraging to say on that point, other than to say we are currently negotiating with the Government of Mexico this week on a new bilateral textile agreement, and we are taking into account the 807 operations and trying to accord, most likely, larger quantitative amounts to Mexico in order to accommodate the maquila production.

I would also like to note for the committee one other point on the maquila operations. The administration is aware of an increasing interest on the part of the Mexican Government to increase Mexican content in maquila production. Believe it or not, there is currently approximately only about 1.5 percent. There is even one estimate that is, I think, as low as 1.57 percent Mexican content, material content, in the output of the maquila operations.

The Mexican Government is considering a number of ways of creating incentives to increase Mexican content. In general, we are not opposed to that. However, we will examine very carefully any particular government incentive program if it involves a tradeoff between the increasing use of Mexican content and access to the Mexican market, if that is a contravention of any GATT obligation. We would look unfavorably upon any such program.

Another bilateral trade issue involves trade and services. What is of concern to the administration is the question of trucking. Our problem there is the unequal access for United States truck cabs and drivers to the Mexican market. There have, in the 1980's, been bilateral negotiation. They were entirely fruitless. The most recent round, I believe, was in March 1984. However, the administration is considering perhaps reraising this issue within the next year with the Mexican Government. Unfortunately, we have mixed signals from the U.S. private sector as to whether or not this will be worth our while.

The administration, upset by the unequal treatment, has taken two specific measures in retaliation against the Mexican trucking services; and, as I say, we are considering reraising that issue in bilateral trade negotiations with the Mexican Government.

Governor Carruthers raised another interesting point. That is increasing, perhaps, ways we can promote increased technology transfer. That is an area in which we would be interested in working with interested private parties or State governments. There are certain restrictions in the transfer of technology to Mexico that we at the Federal level might also wants to raise with the Mexican Government in a way that we can facilitate the transfer of technology.

Finally, we are in a process, and I hope tomorrow afternoon we will complete negotiation of a bilateral framework agreement. I'll be returning during the night to Washington. Hopefully, we'll complete tomorrow negotiation of this framework agreement on trade and investment. We hope that its principal result will be the establishment of a consultative mechanism which will permit either government to raise any issue involving trading goods and services or investment issues that either government wants to raise with the other. It would require that the other government must meet with the other party upon request.

Unfortunately, the two governments have a poor track record in talking to each other on a number of trade and investment issues, and we are trying to address that problem in order to create getting back to our original objective, but creating a more open, predictable and stable trade and investment relationship; one that will promote increasing commercial activity of economic benefit to both governments

Thank you very much, Senator, for letting me appear before the committee. I'll be delighted to answer any questions.

Senator DOMENICI. Thank you. I won't take a lot of time, but let me just ask a couple of questions. Did I read you correctly that what has heretofore been a very major problem with reference to our commercial relationship the issue of import licensing—did you say that that has somewhat ameliorated?

Mr. BENNETT. It has, Senator. As recently as 1983, approximately, the Mexican tariff schedule had about 8,200 and 8,300 tariff categories; as recent as 1983, all of them were subject to import licensing requirements. It was the major policy tool used by the Mexican Government to control import levels. By July of last year, that had been reduced down to approximately 1,200. By August, by the time of entering into the GATT last year, it had been reduced down to 819 categories. As of July 20, just about 3 weeks ago, 4 weeks ago, it has been reduced down to 427 categories.

In negotiations in Washington last week, we raised the issue and brought a number of additional specific product categories to the attention of the Mexican Government, and we hope that by the end of this year, we will see additional substantial reduction in licensing requirements on tariff categories. So the progress has been significant under the De la Madrid administration.

Senator DOMENICI. What products, if you care to share with us, briefly, continue to have unacceptably high tariffs, in your view?

Mr. BENNETT. Well, I would say we've got a problem in the area of processed foods, a problem in the area of automobiles, and sometimes automobile components, pharmaceuticals and chemicals, would probably be the best examples.

I can say as recently as the end of last April, the Mexican tariff schedule contained tariffs as high as 100 percent. I believe the highest tariff now is down to 40 percent, and that will be reduced to 30 percent by October 1988. Well, a 30-percent tariff can still be commercially prohibitive for a lot of U.S. exporters.

It is a substantial progress for a developing country, and we hope to seek further reduction in the multilateral trade negotiations which have just begun.

Senator DOMENICI. Is the framework which you hope will yield to negotiations shortly, in essence, a treaty?

Mr. BENNETT. I'm sure, as a Senator, that is something of great interest to you.

Senator DOMENICI. Are we going to have to ratify it?

Mr. BENNETT. The approach we've decided to take is to seek an executive agreement. It will not contain any substantive concessions on the side of either party, but it will be signed by the two Presidents. It will be notified to the Congress. But I'll be coming back to Capitol Hill and making arrangements to see you and Senator DeConcini and the House Board of Caucus Representatives as soon as we, hopefully, complete negotiations, and brief you on what we've obtained. That's prior to signature. It will be up to the Hill to consult.

Senator DOMENICI. But it will be historic, whether it's a treaty or an executive agreement?

Mr. BENNETT. No question. It's a major step forward.

Senator DOMENICI. Has Mexico's decision to participate in GATT had any tangible effects yet between the two nations, and do you have any examples of how that is having any positive effects?

Mr. BENNETT. Its had a positive effect for both sides. We have found that Mexico has been acting as a moderate among the developing countries and has supported the negotiations in the issues of investment, trade and services, and intellectual property protection. Those are the three major initiatives that the United States has pushed in Geneva.

It's no secret that Brazil and India have led a gang of seven against the United States in trying to prevent the negotiation of those three topics; and with Mexico's entry last August, it weighed in with the moderates, and that was a very valuable contribution. As for Mexico, they brought a GATT complaint against us, failing passage of Superfund legislation by the United States Congress last fall. The GATT ruled in favor of Mexico on June 16, because of discriminatory taxation on oil. The United States has now been urged by the GATT Council to change its taxing of oil for Superfund purposes.

So that is a partial victory for Mexico, which has been a positive reinforcement to the major political step of entering the GATT. It will now be up to the wisdom of the Congress as to whether or not we come into compliance with our international obligation. Those are two concrete examples right there.

Also, Mexico has just signed, 3 weeks ago, four of the GATT codes of conduct; those dealing with technical certification standards, import licensing practices, custom evaluation practices, and NAI dumping procedures. That is a positive benefit for us. Just last Friday, a question was raised with the Mexican Government about part of the NAI dumping procedures we have problems with, and they'll take that into consideration; send a technical team to Washington, and perhaps change their procedures. It's been very positive.

Senator DOMENICI. I was unaware of the Superfund complaint. That's interesting.

Mr. BENNETT. We have a situation where I think the U.S. oil is taxed at 8½ cents or 8 cents, and imported oil at 11½ cents.

Senator DOMENICI. To pay for Superfund?

Mr. BENNETT. That's correct.

Senator DOMENICI. It took us a long time to find the right mix of tax to get that thing paid for, so that will cause a major stir.

Mr. BENNETT. It will. It was a deal that was apparently cut in the wee hours of the night, right before passage. So I'm sure it was a delicate negotiation.

Senator DOMENICI. You commented on trucking. We have a witness that is somewhat of an expert, who will testify later, giving us some views. Did I hear you correctly that you said that, while you're having a great deal of difficulty with Mexico, there is some disagreement even on this side as to what really ought to be done with reference to the trucking, in terms of American versus different restraints, cultural and otherwise, on the other side of the border?

Mr. BENNETT. It is a problem. Despite popular belief—sometimes a correct popular belief—we do try to operate in response to private sector concerns rather than operate in an ivory tower. We rely heavily upon private sector guidance as to where we should prioritize.

On the issue of unequal access for trucking services, there are a number of United States trucking companies that are advising us and have testified at congressional hearings that they have no interest in access to the Mexican market. We have other trucking companies, primarily the smaller ones, that are saying, absolutely, they would like the United States Government to wade in and try to obtain for them the right to operate in Mexico.

Where we're coming down, basically, is, we're upset about the principle of it, that there is unequal access. We don't like it, and we think it has a very good chance once the framework agreement is signed by the Presidents. This is one of the first issues we will raise under that.

A point we might make to the Mexican Government is, if, in fact, so many large United States trucking companies—which apparently there is some fear of in Mexico—are not interested in accessing the Mexican market—basically, they don't want to send their equipment into Mexico—then what is there to fear? But it is an issue that the administration is giving increasing attention to once again.

Senator DOMENICI. I want to thank you very much for your testimony again. It was very enlightening, and I'm most appreciative. I wish you well in your negotiations with Mexico, and hope you have good news for us in the not too distant future regarding those. Thank you so much.

Mr. BENNETT. Thank you very much, Senator.

STATEMENTS OF:

CHARLES L. CROWDER, CROWDER LAND CO.

ROCKY BACCHUS, VICE PRESIDENT, BACCHUS INDUSTRIES, INC.

CHARLES FAUBLE, DIRECTOR OF ENGINEERING, HONEYWELL CORP.

PREPARED STATEMENTS

Senator DOMENICI. We're going to ask that our next three witnesses come to the table together. Charles Crowder of Crowder Land Co.; Rocky Bacchus, vice president of Bacchus Industries, Inc.; and Charles Fauble, director of engineering of Honeywell.

Mr. Crowder, good to see you again. I'm looking forward to hearing your testimony and hearing your observations with regard to trade with Mexico, particularly as it relates to the maquiladora program and border situation. You have prepared remarks to be made part of the record, and we would appreciate if you would summarize.

[The statements follow:]

STATEMENT OF CHARLES L. CROWDER

International trade between the United States and Mexico, and to an extent between the United States and Latin America, has been, is and will be in the future, of vital importance to the United States and especially to our region of this country. The problems along the 2,000-mile border between the United States and Mexico are many and real solutions have been few. The importance to Mexico of international trade with the United States is well documented and clearly recognized by both the public and private sectors in that country.

Many years ago, during the term of President Adolfo Lopez Mateos, I was privileged to meet with him, travel through Mexico with him, and attend ceremonies in which he initiated what he referred to as the in-bond program. During these discussions President Mateos, who I believe was a sincere and dedicated political leader who understood the serious problems his country faced, undertook programs which, in his opinion, would bring industrialization to Mexico in a manner that would clearly benefit the United States and the rest of the countries in this hemisphere. President Mateos was, at that time, concerned that the population of his country was migrating to Mexico City and he estimated, at that time, a future population for that city which has since proven to be inaccurate. The actual population growth of Mexico City far exceeded his predictions. He also recognized the illegal migration of his people through Mexico's northern border with the United States. He reasoned that while this northward illegal migration was occurring, that it would be in the best interest of Mexico, as well as the United States, to intercept this migration on the Mexico side of the border and, with the cooperation of the United States private sector as well as the public sector, create labor-intensive jobs for Mexican citizens on their own soil, utilize raw materials from the United States, provide labor-intensive jobs to Mexican workers while providing United States industries a more competitive position in the world markets. The activity envisioned by President Mateos was initiated and the twin plant concept, known as maquila in Mexico, became a reality in production sharing.

The success of production sharing between the United States and Mexico is evident in the City of Juarez and has had a positive economic impact on the City of El Paso and many other communities elsewhere in the United States. The phenomenal population growth in Juarez has created enormous social and political problems because infrastructure, including traffic circulation improvements, water distribution, sewage treatment and adequate housing as well as all other public services, is far behind acceptable present minimum requirements.

The City of Juarez, which was a relatively small border town at that time, was selected to initiate the in-bond program and is today the most significant single border maquila and represents almost one-third of all production sharing in the Republic of Mexico. The City of Juarez has grown to a population of over one million and, of course, is an international twin of the City of El Paso, Texas, which has a population of five hundred thousand. Juarez is the largest border city in Mexico and El Paso/Juarez represents the most significant amount of international crossings between the United States and Mexico over land.

To illustrate the enormous pressure placed on the United States Customs Service and the Immigration and Naturalization Service, as well as the Department of Agriculture, the Paso del Norte Bridge, which is in the downtown area of El Paso, Texas, in a recent annual north bound vehicle count, accommodated 3,896,321 vehicles and, north bound only, 4,956,529 pedestrians. The Bridge of the Americas, in the same annual time frame, accommodated 5,427,361 vehicles and 498,498 pedestrians north bound. The Ysleta Bridge, in the same annual time frame, accommodated 1,517,105 vehicles and 341,222 pedestrians north bound. The total annual north bound vehicle crossings at these three locations in El Paso, Texas, was 10,840,787 and the total pedestrian north bound crossings at these three locations was 5,796,274. I do not think it would be inaccurate to assume that an equal number of vehicles and pedestrians were accommodated in the south bound lanes of these international bridges.

The phenomenal population growth of the El Paso/Juarez area and the existing number of crossings clearly and dramatically evidence the enormous responsibility given to the United States Customs Service, as well as Immigration and Naturalization Service and the Department of Agriculture, to process this traffic. In addition to these staggering numbers with the relatively limited facilities, the United States Customs Service and other agencies of the United States government are also required to accommodate new laws and initiate additional policies, such as the new Immigration Bill and the Transportation Act, and take on additional drug interdiction responsibilities. These added burdens must be accomplished in a manner that does not subtract from the normal duties and responsibilities of these agencies.

The United States Customs Service, the Immigration and Naturalization Service and the other agencies of the United States government are often criticized for bottlenecks, delays and excessive application of red tape. This practice by well meaning individuals and companies is akin to torturing and painfully killing the messenger who delivers bad news. The present and current number of crossings daily between the United States and Mexico within the metropolitan area of the El Paso Port of Entry requires additional personnel as well as the major expansion of existing facilities.

The United States government has attempted to provide the personnel and the facilities in the El Paso, Texas, area to accommodate the ever-increasing public and business sector activity. The construction of the Bridge of the Americas and the cooperation between the two governments in creating one-way bridges in downtown El Paso to increase traffic flows and, most recently, the approval for the expansion of the Ysleta Bridge, which expansion has been a critical and important improvement needed for several years, are evidence of our government's genuine and constructive efforts to improve United States government services to the border. The Port of Columbus, New Mexico, some sixty-five miles west of El Paso, last year handled over 300,000 vehicles and almost 1,000,000 individuals. Senator Domenici, who clearly understood the growth and the pressures, as well as opportunities for future growth, was instrumental in obtaining funding to improve that vital New Mexico Port of Entry.

The earliest settlers in the El Paso area were drawn to the then location of the Rio Grande River and their existence and their northward migration was tied to one essential element they could not do without, which is water. The Treaty of Guadalupe Hidalgo established the boundary between Texas and the Republic of Mexico. The boundary between what is now El Paso, Texas, and Juarez, Mexico, was the center of the then location of the Rio Grande River. The Rio Grande River turned northward at this point in time and the Santa Teresa area of New Mexico was obtained by purchase under the terms of the Gadsden Purchase Agreement in 1853. The boundary between Texas and New Mexico, in the Santa Teresa area, was originally intended to be the Rio Grande River. The river failed to cooperate and meandered significantly. The New Mexico/Texas state line in the Santa Teresa area was fixed by Supreme Court Rulings which identified what was believed to be the river location at the time of the Gadsden purchase.

The City of Juarez, Mexico, is extending its urban sprawl to the east slope and foothills of the Juarez Mountains, which lie immediately west of that city in Mexico. On the western slope of the Juarez Mountains in Mexico is a large, privately-held, highly-developable land mass which adjoins and is contiguous with the international boundary between the State of New Mexico in the United States and the Republic of Mexico. This privately-held land mass in Mexico is contiguous with another large privately-held land mass in the State of New Mexico along the international boundary and has been identified as the Santa Teresa International Project.

We are the owners of the Santa Teresa International Project in the New Mexico Sector and have been actively and aggressively engaged, for the past seventeen years, in consolidating our ownership in this southern Dona Ana County, New Mexico, location. In addition to our successful land consolidation efforts in New Mexico, we have also been engaged, for the past several years, in obtaining effective control of the property in Mexico which is contiguous with the New Mexico Sector of the Santa Teresa International Project. These two properties adjoin each other along the international boundary between the United States and Mexico and are separated only by a barbed wire livestock fence. In the summer of 1985, we completed all of our acquisition and consolidation plans in southern Dona Ana County and further reached agreements acceptable to us, which were in conformity with Mexican law, for the control of the Mexican property which we now refer to as the Mexico Sector of the Santa Teresa International Project.

In the spring of 1986 we entered into an agreement with the United States Customs Service that would permit us to provide reimbursable Customs services at the Santa Teresa Airport. In accordance with the terms and conditions of the agreement with the United States Customs Service, the New Mexico acreage referred to above was included in the legal descriptions of the port limits for the Santa Teresa Port of Entry.

In the summer of 1986 we reached an agreement with the Chihuahua Cattle Growers Association and they have obtained title to real estate in New Mexico and the Republic of Mexico at the international boundary for the construction, in both the United States and Mexico, of an international livestock import/export and transshipment facility. The Governor of Chihuahua, in August of 1986, attended a ceremony at the border which ratified, from his government's standpoint, the approval by Mexico of this important international livestock crossing facility. As a part of our agreement with the Chihuahua Cattle Growers we have agreed, and they have arranged permission from the government of Mexico, to allow us to enter that country with our personnel and machinery to design, engineer and construct, to New Mexico State Highway Department standards, a roadway from the United States/Mexico border 12 miles south to the Juarez Casas Grandes Highway in Mexico, as well as additional roadways near the international boundary in Mexico which will serve the Chihuahua Cattle Growers facility in Mexico. In addition to these roadways, the nucleus of infrastructure, such as potable water development, sanitary sewage treatment, communications and temporary energy sources. We have also agreed to duplicate these essential roadways and this nucleus of infrastructure on our land in the United States and connect the border crossing highway with the county, state and federal road system in the United States.

We have, at a much earlier date, established a major water distribution facility in southern New Mexico, supported by a well field which was developed by us in 1970, and have created major recreational, residential, commercial and industrial infrastructure on Project lands acquired in 1970. These amenities and improvements have enabled us to initiate the industrialization of our Project with the Oilwell Division of USX Corp., the Prepared Foods Company plant and, very recently, the 90,000+ square foot Foamex facility which will supply the Ford Motor Company's twin plant at Juarez, Mexico and other domestic and foreign customers.

The Santa Teresa location on the international boundary between the United States and Mexico is strategically located near the El Paso/Juarez urban areas. The City of El Paso, Texas, during the census period of 1970 to 1980, was the third-fastest growing city in the United States by percentage rate of growth and continues to encourage and attract multinational manufacturers who will utilize the twin plant, or maquila opportunities in both El Paso and the City of Juarez, Mexico. From the City of El Paso, Texas, to the Gulf of Mexico, the Rio Grande River provides a natural boundary between these two countries. From El Paso, Texas, to San Diego, California, the major port of entry between the United States and Mexico is Nogales, Arizona, which represents the second largest port of entry over land between the United States and Mexico. This is equated in tons, number of crossings, dollars and pesos in international commerce. The Santa Teresa location, which is nearby the border cities of El Paso/Juarez, which are in the mainstream of commerce and trade between the United States and Mexico and other Latin American countries, is ideally suited because of its location next to this large international population and existing commerce, the mainstream of transportation networks between these two countries, its abundant supply of potable water, existing infrastructure and amenities in the United States Sector and its ability to carefully master plan and discipline industrial, commercial and residential growth that can be accommodated on an orderly basis regardless of the rate of growth in both the United States and Mexico.

It has been our intention and our privilege to respond to legitimate initiatives by the private sector in Mexico, which has enlisted the support and approval of appropriate levels and agencies of the government of Mexico, to provide the location, the planning and the discipline, as well as the private sector financing to initiate an international industrial complex in both the United States and Mexico on a privately-held or controlled land mass in both countries which can recover American jobs for United States citizens on United States soil which have been transferred, over the past several years, to the Pacific rim countries. It is important, in order to expatriate these jobs which have been lost to citizens of the United States, to utilize, on the United States/Mexico border, the labor-intensive component manufacturing opportunities available in Mexico in their maquila program. Location of this maquila activity at the Santa Teresa location in Mexico, which has no topographic or other barriers to the orderly transfer of materials and components across the international boundary, will encourage and accommodate the establishment of automated assembly, research and development, technical support, warehousing, distribution, transportation and management activities on United States soil and will provide opportunities for the creation of many new jobs for United States citizens in addition to the job classifications identified above.

The reimbursable port of entry status for the Santa Teresa Port of Entry, both at the airport and in the future along the border crossings, will permit the private sector to utilize and pay for this important service. However, the present congestion of the bridges between El Paso, Texas, and Juarez, Mexico, which will be somewhat improved by the enlargement or expansion of the Ysleta Bridge, can be significantly alleviated by public non-commercial Customs facilities at the Santa Teresa location in both the United States and Mexico. The route of the new roadway, which has been labeled the Santa Teresa International Beltway, would bypass both the Cities of Juarez and El Paso and could accommodate major passenger car traffic between these two countries which was routed along the interstate highway system in Texas and New Mexico to the Juarez Casas Grandes Highway and the Chihuahua Highway near the Juarez International Airport south of the City of Juarez.

The transportation, communications and red tape constraints, which are the three major negative components of the maquila activity, or twin plant activity, between the United States and Mexico, can be dramatically improved by the physical or geographic advantages the Santa Teresa International Project offers. The future industrialization along the international boundary at the Santa Teresa location can further enhance important international trade between the United States, Mexico and Latin America, as well as improve and create efficiencies for workers and industries in both countries.

As we examine both the problems and the opportunities along the 2,000 mile border between the United States and Mexico, we must conclude that the problems include a wide variety of important subjects. These subjects include illegal immigration, illegal substance smuggling, the collection of import duties by our government, inadequate traffic circulation networks on both sides of the border, inadequate facilities on the United States side of the border to accommodate these increasing pressures and the serious lack of personnel to stay abreast of the increasing amount of pedestrian and vehicular traffic. The opportunities for this country to solve the myriad of problems, only a few of which I have mentioned, remain elusive and quite often ensnared in our inability to re-zone, rebuild and re-direct the patterns of growth or to redefine and discipline border communities which date back to our earliest settlers. Even in recent years the growth of the border areas have exceeded not only the expectations of the original settlers, but continue to astound and defy our best and most scientific and professional planners.

The Santa Teresa International Project, with its large, privately-held and/or controlled land mass which straddles the international boundary near the largest population in Mexico on the United States border and a city of 500,000 in the United States on the border, its highly developable topography and soil conditions, its abundant supply of potable water, its lack of physical constraints such as a river, can and will provide the best opportunity anywhere along the 2,000 mile border between these two countries to create, with careful and thoughtful planning, an international model and a Pan-American example which will set a standard of excellence in international cooperation and efficiency.

We do not believe that the government of the United States, nor the government of the Republic of Mexico, should finance the initiation of the Santa Teresa International Project. We are convinced that the unparalleled opportunities at the Santa Teresa location in both the United States and Mexico, justify, without question, the investment of private capital which can and will provide the nucleus and the short- and long-term planning and together with the development and construction of this major undertaking will result in a wise and prudent investment by the private sector which will be an economic success and will serve both the vital interests of the United States and Mexico. It will be necessary to continue to receive the cooperation of the bipartisan political leadership at local, state and federal levels in both countries. The County of Dona Ana, which is our seat of government, the City of Las Cruces, the City of El Paso, the State of New Mexico and the State of Texas, as well as the federal government of the United States and its departments and agencies, have been extremely responsive and carefully cooperative in this massive private sector undertaking. This is also true in the private sector and the public sector at local, state and federal levels in the Republic of Mexico.

We do believe that this Subcommittee should carefully and thoughtfully consider this testimony, weigh the evidence we have submitted here, and immediately respond to the existing critical demand for the expansion of existing facilities at the El Paso Port of Entry in Texas and continue to support the improvements for the Port of Entry at Columbus, New Mexico. We also believe that this Subcommittee should consider at this time, without delay, the proper involvement of United States government funding to support the private sector initiation and investment being made at the Santa Teresa International Project, which would not be utilized to directly subsidize private sector industrialization and commercialization, but would afford a part of the solution to the existing traffic circulation at the Port of El Paso, Texas and plan for major traffic circulation arterials to accommodate the unquestioned arrival of passenger car traffic once the Santa Teresa International Beltway is initiated and opened and to plan for and to fund the capital intensive facilities that will be required to handle this passenger car and non-commercial traffic at this new gateway to Mexico. The Santa Teresa International Project owners believe that the reimbursable port of entry designation at Santa Teresa, both at the airport and in the near future along the border crossings, will relieve the United States Customs Service, now and especially in the future, of budgetary and funding obligations to provide their services to commerce and industry. This special reimbursable port designation will also relieve the United States taxpayer from providing these customs services to the industrial and commercial users of these services. The unique location of the Santa Teresa International Project, the reimbursable port designation and the ability of the private sector to utilize and pay for this specialized service will create an efficiency in international trade and commerce at this point which will easily compensate the private sector for this added expense.

In view of the foregoing testimony, I urge this Subcommittee to seize this opportunity to consider the important advantages to the general public in giving careful and immediate attention to the funding of the elements in this area that strictly relate to the general public and not private sector commercial and industrial interests, which would include the cooperative enlargement of traffic circulation arterials on the United States side of the border to connect with the United States Interstate system, as well as facilities for the United States Customs Service that would accommodate the public vehicular traffic.

I respectfully submit this testimony and I am eager to respond to any questions you may have with regard to this testimony or any other matters pertaining to these critical issues.

Mr. Chairman and Senator DeConcini, I sincerely appreciate and value this opportunity to submit my testimony and to appear before you.

STATEMENT OF CHARLES FAUBLE

INTRODUCTION

It is noted that Honeywell in New Mexico greatly appreciates the opportunity to contribute information to the Subcommittee on Treasury for our Twin Plant operations located in Las Cruces, New Mexico; El Paso, Texas; and Juarez, Mexico.

HONEYWELL GENERAL INFORMATION

Honeywell is an international corporation whose mission is to work together with customers to help them achieve their goals through leadership in automation and control.

Honeywell, founded in 1885, is a leading supplier of automation and control systems for homes and buildings, industry, and aerospace and defense. The company has 78,000 employees worldwide, with 1986 revenue of $5.4 billion.

Honeywell provides a complete line of electronic controls and building management systems. Half of the four million commercial buildings in the United States have Honeywell controls. In addition to building controls, Honeywell provides a wide variety of industrial products to customers in: informations and office automation, refining and chemicals, utilities, metals, consumer goods, automotives, appliances and aerospace.

Honeywell's Aerospace and Defense business participates in six markets: military avionics, naval systems, defense support, space and strategic systems, and munitions and commercial aviation. Honeywell offers the broadest line of products available to the air transport and business jet markets. In addition, Honeywell has been a part of every manned space flight since the space program's inception. The company serves national defense needs by developing and producing ordinance torpedoes and defense support equipment for the military.

HONEYWELL IN NEW MEXICO

Honeywell has operations in Albuquerque, where it produces aerospace products and control systems for small commercial buildings, and is Albuquerque's largest private manufacturer with more than 2800 employees. In Las Cruces, Honeywell's Keyboard Division has two facilities, where it manufactures and warehouses subcomponents for its keyboard products, readying them for final assembly and testing in Juarez. In addition, Honeywell Keyboard Division's Engineering and Administrative operation to support both Las Cruces and Juarez is located in El Paso, Texas. Total employment for Keyboard operations in the United States that includes locations in: Las Cruces, New Mexico; El Paso, Texas; and Freeport, Illinois is nearly 700.

HONEYWELL KEYBOARD DIVISION

Honeywell Keyboard Division's mission is to provide a full line of operator interface devices to the industrial, business, and commercial markets. The Keyboard Division's major product line is electronic computer keyboards, supplying custom products worldwide to original equipment manufacturers and also to other Honeywell divisions.

The Keyboard Division's facility in Las Cruces is six years old (started in 1981), manufacturing membrane switches and flat panel keyboards. Some of these components are sold directly into various markets, while other membrane components are utilized as switches for computer keyboards, which are final assembled in Juarez, Mexico.

A large warehouse is also located in Las Cruces and serves as the distribution point for subcomponents manufactured in the United States to the twin plant in Juarez, Mexico for final assembly. The final assemblies are also stored and distributed to customers in the United States and worldwide from this distribution facility in Las Cruces.

The Engineering and Administrative complex located in El Paso, Texas consists of technical and professional personnel to support the facilities in both Las Cruces, New Mexico and Juarez, Mexico. The El Paso facility was started this year (1987), moving the Engineering and support for Keyboards from Freeport, Illinois to El Paso to facilitate closer support to manufacturing.

TWIN PLANT OPERATIONS

As previously described, the Juarez facility is supported by Las Cruces and El Paso through the coordination of the material distribution warehouse in Las Cruces. Completed kits are assembled and shipped to Juarez for final assembly. Almost all components are purchased or manufactured in the United States with value added in Juarez consisting of assembly labor, testing, and packaging. Nearly 500 U.S. manufacturers currently supply component parts to the Honeywell Keyboard Division including suppliers in Illinois, Michigan, Colorado, Delaware, Maryland, Rhode Island, and Texas. A recent large contract for plastic component supply was awarded by the Honeywell Keyboard Division to a plastic supplier located in Albuquerque, New Mexico. Keyboard assembly procedures are repetitive and hand labor intensive. The work force in Juarez has proven to be highly satisfactory for this process, with quality levels meeting or exceeding equivalent United States facilities.

The most difficult part of the operation is logistical support, coupled with border/custom administration. Completed kits going into the Juarez facility need to be administratively accurate, with subcomponent quality at required levels to insure successful completion of final products. Complete and accurate manifests are required to insure smooth flow in and out of Mexico. All paperwork is done by hand, with little or no mechanization of processing at the border. The parts remain at the import broker until the manifests are processed and custom clearances are received. The time to process is normally satisfactory, but on occasion, delivery of components and products is held up enough to miss promised delivery dates to customers.

Traffic at border crossings is a major concern for successful operations. Border crossings in El Paso are delayed at peak traffic hours for 1 to 3 hours. Normal border crossing time is 60 minutes for plant personnel coming back into the United States. There are similar delays going into Mexico from the United States for commercial trucking of goods at the Mexican Border during peak hours.

RECOMMENDATIONS

The major areas of concern as outlined previously, center on traffic delays in and out of the United States. It would seem appropriate to increase both the number and size of border crossings to accommodate the increased trucking and personnel traffic supporting the twin plants operations. Currently, the border crossing into the United States experiences trucking delays because the staging parking lot for truck trailers is too small requiring the truck and trailers to back up on the bridge while awaiting custom clearances. Having a separate border for commercial vehicles, including United States citizens designated as working in maquiladora facilities, would make the process more effective.

Automation of custom clearing would be another area for improvement. Standardizing of manifests that are scan readable would reduce the process times and optimize United States Custom personnel requirements. Also, making a standard scan readable label for boxes of goods that come into the United States would make processing more accurate and timely.

SUMMARY

The Maquiladora concept is clearly a major factor responsible for keeping the Honeywell Keyboard Division in business and has even allowed the creation of a competitive edge in the world market in keyboard products. The competition is keen in all electronic manufacturing due to Pacific Rim competition that has optimized low cost labor resources. The component supply resources that Honeywell uses for its products come primarily from the United States. As our business maintains its competitive position, the opportunity for growth will increase the component supply demand, thus creating more jobs in the United States in areas that are competitive to the Pacific Rim countries.

To take advantage of this opportunity for growth in manufacturing, an integral part will be United States Custom and Border facility improvements to allow growth to occur. The present support of United States Customs and Border personnel is excellent, considering the minimal resources for improvements that have occurred in both the number and size of border crossings into Mexico from the United States and the lack of mechanization of paper processing at the entry points.

STATEMENT OF CHARLES L. CROWDER

Mr. CROWDER. I did prepare remarks, a history, the problems, opportunities. My knowledge of this area is limited to southern Dona Ana County-El Paso.

El Paso, TX, last year, in the maquila program, benefited with about 30,000 jobs as a direct result of maquila. Southern Dona Ana County, NM, which is close to El Paso, and El Paso are close to the population of Juarez, Mexico, which is 1 million people.

One of the serious problems in El Paso is traffic congestion. The problem we have in Santa Teresa or Dona Ana County and El Paso is that large land masses are privately held. The new designation we had yesterday for the reimbursable port, I think, provides an opportunity in the area where we have the largest number of maquilas in any one location, which is in Juarez.

The State of New Mexico has not benefited as much as it should have from this maquila program. I believe bringing major arterials through southern Dona Ana County at that location of highly developable land, water, infrastructure and doing it with a lot of discipline, planning, construction and execution, providing for residential housing in Mexico, and getting the cooperation of this Government, the State of New Mexico, and the Government of Mexico. that we have a major opportunity that makes a lot of sense.

If this sounds like a commercial for Santa Teresa, I don't apologize for it, because I think it's all true. We have enjoyed a tremendous amount of cooperation from the United States Government, from yourself, from the State of New Mexico, from Dona Ana County, and from Mexico. We are a private sector. We haven't asked for appropriations. We haven't asked for anything.

I do believe the Federal Government and local government should look at this now and get ready to cooperate in building facilities at Santa Teresa and roadways to accommodate the public. I believe the private sector, the business interests here, can easily afford their investment, because the efficiency will more than pay the bill. And that's about the story.

Senator DOMENICI. Thank you very much. Might I ask, has the recent turn of events with reference to emphasis on equity conversion as you see it brought a renewed enthusiasm for a twin plant concept, or how would you assess that situation?

Mr. CROWDER. For individuals like Phyllis and me, raising millions and millions of dollars on what most people would consider venture capital is somewhat scary. The project at Santa Teresa, on both sides, will easily justify the capital investment without debt equity. Debt equity conversions clearly, today, have made our whole project extremely desirable, and have motivated the world's largest banks.

Heretofore, our big problem was trying to find out how to get funds in the United States invested in Mexico, and have disciplined and orderly growth occur there. With the occurrence of debt equity, this becomes a real solution for us, because it motivates the world's largest financial institutions. They are here, and we're going to do business with them.

Senator DOMENICI. Mr. Bacchus, why don't you proceed now.

STATEMENT OF ROCKY BACCHUS

Mr. BACCHUS. Thank you, Senator. In addressing this committee, I would like to perhaps bring out a few points of view and some information from a much smaller perspective, being a very small company, and to my knowledge the only active twin plant in New Mexico at this time.

We are operating, actually, in Sunland Park, and in Juarez, Mexico. We started back in 1981 and really got going in 1983. The industry that we're involved in is the evaporative cooler industry. As recent as 1982, we competed for in excess of $20 million of export contracts to other countries for evaporative coolers. That is not to say that we weren't getting a substantial portion of that, but there has been a dramatic turnaround.

Since 1982, I don't believe there has been any significant foreign shipments from our industry to foreign markets, such as the Middle East or to Australia or other markets for us. But there has been imports from some of those foreign markets into the United States. I believe that a tremendous advantage is obtained by maquila operations for a company such as ours, small but growing companies, that would not have been there necessarily, and that those jobs that are in the United States could have been lost or would have been lost had that increased competitive edge not been obtained.

It's something that I haven't heard mentioned prior, but in our particular segment, the tariff on the imports is relatively low. We do not, in fact, use the section 807 preference for twin plant operations. As a manufacturer in Mexico, we're paying full duty on the items that come in. But even with full duty charges, it's a very beneficial program.

Another point that I did not hear mentioned is that in our particular industry, we're exporting virtually all United States components into Juarez, Mexico, processing them there and bringing them back out. So the Mexican content essentially amounts to the labor content and some overhead, costs of utilities, and so forth. If we had 35 percent Mexican content, we would be totally excluded from any duties under the GSP section, which has not been mentioned at all.

It seems somewhat backward to say that if you have a little bit of Mexican content, then all the United States goods that went into Mexico and come back get taxed, but if you have a significant Mexican content, there is no tax. I don't think that that has been brought out clearly enough. So we're really talking about the preference 807 excluding tax in the U.S. materials coming back. We're still taxing all the Mexican content.

I think that the maquila operation presents an opportunity for moderate-sized companies to grow. We're a fairly high-technology industry within our industry and have high-technology advancements that we have achieved, that give us the potential to increase, both in employment and sales, tremendously. However, without having had the advantage of being able to use the low-cost labor to develop some of those projects and products with Mexican labor, we could not have competed and gotten to the economies of the scale necessary to mechanize in a greater way.

In looking toward the future and some of the potential for the maquila program, part of our program is that we plan to put significant mechanized production on the United States side, because the labor content in mechanized operations is relatively small; but the more manual operations we would keep in Mexico.

Another important point that I would like to bring out is, it's essential that U.S. education become better and better. Because to compete in the high technology, the high-paying end of jobs, we need very qualified people. And finding qualified, capable people that can think on their own and can operate in more sophisticated positions is what will make, in our opinion, the U.S. side grow.

If you have any questions, or anyone else, I would be happy to try to offer whatever I can.

Senator DOMENICI. Let's reserve them for a moment and get to our last witness, and then we'll come back.

Welcome.

STATEMENT OF CHARLES FAUBLE

Mr. FAUBLE. On behalf of the Honeywell Corp., we're happy to be here today to represent ourselves. We're proud to be in New Mexico.

As stated earlier, we're one of the largest private employers in the State of New Mexico, and we found New Mexico to be fertile ground for growth in industry, in both high-tech environments and industrial manufacturing environments. Honeywell intends to grow in New Mexico and make it a viable part of its growth pattern in the next few years.

I would like to summarize my testimony here today, and I'll make it as brief as possible and, hopefully, to the point. The Honeywell keyboard division, which is currently located in three plant operations in Las Cruces, El Paso, and Juarez, employs almost 700 people in total employment. We do have some people employed in Freeport, IL. That was originally our parent corporation. Our parent division was there. We broke off the division this year, and started a new division for the keyboard area here in Las Cruces, El Paso, and Juarez.

We're one of the largest, one of the two largest keyboard manufacturers of the United States. The maquiladora concept is directly responsible for us being in business today. Had there not been a maquiladora concept, a twin plants concept, in the United States, the keyboard business probably would have shut down. Because of this concept, we're in business, and we're in a growth pattern.

We're also competing in a world market in the electronics industry. We're selling our products around the world. We currently have about

500 suppliers in the United States that supply components that end up in various levels of manufacturing. They get shipped to Juarez and finally assembled and distributed worldwide for our keyboard products.

As was mentioned, the major problems in the maquila that we find in getting products in and out of Mexico really occurs at the border. I can't emphasize what a good job the Customs people have done here with our operation in the past year, considering the limitations of facilities and the limitations of the ability to get vehicles back and forth across the border to the manufacturing facilities.

We feel, as was mentioned in my testimony, that there are some improvements that could be made in this process. One of them, we feel, is that some of the commercial trade could be segregated and offered a separate port of entry for commercial maquila industry to get their products in and across the border to the United States. We have problems both ways. We have problems getting trucking, from a time standpoint, into Mexico, as well as getting the finished products out of Mexico back into the United States at the border crossings.

I think that that pretty much summarizes my testimony. If you have any questions, I'll be glad to entertain them.

Senator DOMENICI. How do your delays occur now? You are both complimentary of Customs and at the same time seem to be indicating that transportation getting across the border is a major problem.

Mr. FAUBLE. First of all, I'm complimentary of the Customs people because they've been good to work with in the past, and they've addressed the problems that we've brought up. They've really done the best job that they can in processing the paperwork and doing the inspection process. But the trucking industry—there is so much volume of trucking going both ways across the border that delays are inevitable. There are not staging areas on the border for trucks awaiting the inspection process.

So the complimentary portion of my comment was for the workability with the Customs people. The Customs people have been very easy to work with here, considering the limited resources that they have, as far as number of entries and the border crossing facilities.

Senator DOMENICI. What attracted Honeywell to Las Cruces?

Mr. FAUBLE. There are about three major items that attracted Honeywell to the Las Cruces area. No. 1 was, we looked at the available labor market and its proximity to the Mexican border.

Honeywell is a corporation that is very dedicated to the maquila process. We've had plants in Juarez and Chihuahua for about 13 years. We've been very successful in doing business in Mexico through the maquila process for a number of years. So we were looking for an area and we were specifically attracted to Las Cruces because of its ability to supply us technical people for our research and development area that's in Las Cruces. We do a high-tech process here in one of the subcomponents that we manufacture in Las Cruces, and we're also very pleased with the available labor market and their work ethics here.

Senator DOMENICI. You indicated, I believe, in either your written testimony or in your oral testimony, that a total employment for your keyboard division in the United States is 700?

Mr. FAUBLE. That's correct. It's nearly 700, sir.

Senator DOMENICI. Those are plants in Shreveport, IL; El Paso, TX; and Las Cruces?

Mr. FAUBLE. That's correct, sir.

Senator DOMENICI. How many of those jobs are here?

Mr. FAUBLE. In the Las Cruces area, there are nearly 200 people, sir.

Senator DOMENICI. Do you mind just giving us a rough figure of what that payroll is?

Mr. FAUBLE. I can't tell you that. I'm not sure of those figures. It's considerable.

The one thing that I do want to mention is that most of our components come from U.S. suppliers, and we have nearly 500 suppliers. We have attracted industry to this area. Our suppliers that were with us in Illinois, some of them have migrated to this area and built plants here to supply components for our products.

Senator DOMENICI. On the general economic impact to the Las Cruces area from just payroll, would you supply that for the record, in general terms, within a couple of weeks?

Mr. FAUBLE. Yes, sir.

Senator DOMENICI. Can you do that? Just for reference. We frequently get asked for some kind of specifics, and I think it would be good if we could cite that.

[The information follows:]

An additional information item regarding the total annual payroll for our Las Cruces Honeywell Keyboard Division facility was requested and is to be included in the testimony submitted previously. The total annual payroll is approximately $3.5 million.

Senator DOMENICI. Let me move over to you, Rocky, for just a minute. How big is your company, in some way that I would understand, number of employees, millions of dollars a year or——

Mr. BACCHUS. We have approximately 45 employees in Sunland Park, and approximately 100 in Juarez, Mexico.

Senator DOMENICI. Annual sales in an average year?

Mr. BACCHUS. A few million.

Senator DOMENICI. Did you say that you were geared to be an exporter of that finished product, but you have become less successful in exporting of late?

Mr. BACCHUS. The last year I believe we exported was 1982, and there has been a significant difference, both because of the U.S. dollar changing our prices in approximately a 2-year period, just because the dollar exchange rate nearly doubled to some countries. We became noncompetitive for that reason. But we are geared for export more so to the Middle East, and some of those areas, than to other parts of the world.

Senator DOMENICI. Tell me, just in a general way that I would understand, what is your product used for?

Mr. Bacchus. Evaporative air-conditioning.

Senator Domenici. I mean, commercial?

Mr. Bacchus. Residential, commercial, window, evaporative air-conditioning of all sizes.

Senator Domenici. I see. Is this a family owned operation?

Mr. Bacchus. Mostly, yes, sir. Almost 90 percent.

Senator Domenici. How long have you been in the business?

Mr. Bacchus. Since 1977.

Senator Domenici. You're saying you wouldn't have had a chance in the last 10 or 15 years in the kind of world economy, you wouldn't have had a chance to grow without the maquiladora as your backup position on that part that they do?

Mr. Bacchus. I don't believe so. In emphasizing that particular point, in 1982, I believe there were no imports of evaporative coolers from foreign countries, and now there are.

Senator Domenici. Let me ask Honeywell this question. Do you think the same thing would be the case with reference to your principal product, the one that you deal with? Do you think but for the maquiladora program, 700 jobs that you have in the United States, in those three cities—one of which is this—would probably not be existent but for the program?

Mr. Fauble. That's correct. Our biggest pressure is from the Pacific rim area, where we compete against the Taiwanese and Japanese, our major competitors in the marketplace. We're now, this year, able to compete with them because of the maquiladora. We haven't previously been able to do that.

Senator Domenici. Does Honeywell not produce other products besides this one that you have been talking with us about?

Mr. Fauble. Yes, sir, we do. We have a optoelectronic plant in Juarez. Its headquarters are in Dallas. The product that is produced there is a product that is produced in the Las Cruces facility, that is an end-item keyboard product that is manufactured here and shipped from here. It isn't shipped to our twin plant for final assembly, it's done entirely here. The Las Cruces facility does make subcomponents for our full travel keyboard business that is final assembled in Juarez.

Senator Domenici. How big is Honeywell as a company?

Mr. Fauble. Honeywell has 78,000 employees, and last year reported $5.4 billion in revenue.

Senator Domenici. What you've explained to us today is the extent of their maquiladora activity?

Mr. Fauble. There are other maquiladora plants that are as far down as Chihuahua that participate with U.S. manufacturers, but are headquartered in the other parts of the United States. I might mention, our facility in Juarez—and you didn't mention this earlier—has about 350 to 400 employees presently.

Senator Domenici. There?

Mr. Fauble. There.

Senator DOMENICI. I gather then that both of you are currently involved—you almost exclusively, and you somewhat—in the maquiladora program. I assume both of you would take the position that the maquiladora program does not cost American jobs, but saves American jobs. Is that a fair assessment of your economic evaluation of this program?

Mr. FAUBLE. I think, in my case, that's fair, because the jobs that we had, that we have currently, would have gone to the Pacific rim, for our products.

Mr. BACCHUS. I believe that's true overall. It may not seem that way directly, because there are some offsets, but it has that net effect.

Senator DOMENICI. Without going into too much detail, would you assess the situation on the Mexican side with reference to the labor force. Adequate, difficult, a lot of problems, how would you describe it?

Mr. FAUBLE. I would say our labor force there, if you base it on the quality of our product, is very good. Our quality level on final assembled and tested products in Mexico is equal to or above our United States counterparts, that are manufactured in the United States. So our experience is that quality has been quite high there, mainly because the quality of parts going into the plant are maintained at high levels.

Mr. BACCHUS. If I could address that same point, one of the biggest things that is a problem in Juarez right now, that I have heard from many of the plants, is the high turnover rate. There is, to some extent, an excess of jobs in Juarez, Mexico. There is not an excess of jobs because of a lack of people willing to work, but a lack of an organized place for those people to be housed and homed.

The opening of some new areas such as the area by Santa Teresa can substantially benefit in housing those people on the Mexican side, because there's lots of them willing to come in from the interior, but they've got to have a place to live. But there are some plants that are having as much as 20-percent turnover per month, which is an enormous burden to have to bear.

Senator DOMENICI. I want to thank all three of you for coming down this afternoon and for sharing your views with us. They're very important to us. I personally believe that this program is good for our country and good for our people. I'm hopeful that we will keep it and use it to the maximum. I do believe that it protects an awful lot of business activity that could and probably would leave these shores totally.

As a matter of fact, I'm quite certain that many that have already left did so without analyzing the potential of this program or, having analyzed it, found some reason other than economics—in my opinion, at least—for justifying their total departure. I'm not critical. I'm just saying that's my own observation.

I think there's a legal chance that we can enhance and improve upon it. I hope the Mexican Government continues to support it, and I hope they put resources into the infrastructure on their side of the border. I think it's important that people have facilities on that side, and the jobs that come from this program. It's the only kind of thing that, in my opinion, has a chance of stemming Mexican emmigration.

Those people are going to want to get out of there and come here regardless of these immigration laws. I don't have a lot of confidence that they're going to work when things get bad enough. I think we have invited a whole new black market, both from employers and Mexican workers. And I predict that it won't be a matter of a decade before that will be a whole new issue to be investigated across this land. Because when there is a labor shortage on the American side and an abundance of labor on that side, and we don't have the provisions for that marriage, unless you were luck enough to have amnesty, I just don't believe it's going to work with employer sanctions as the only real tool. So I think we have to do what we can in this more positive arena that we're speaking of here today.

Thank you for your participation. And thank you, Mr. Crowder, whether it was a sales campaign or whatever. I do have to tell you, you reminded me when you said, "If it is, so be it, it's true."

When I graduated from high school, I was educated by Jesuit priests, and they, you know, are not prone to be the slightest bit embarrassed about claiming to be the best of everything; they have so much education. Well, I was giving an address in behalf of the senior class, and I had written it up for the rest of the student body. It was full of what I perceived to be truth about this wonderful class, the class of 1950, St. Mary's High School, that I looked at it and I asked one of the priests, "How can I really give this? It sounds like awful bit of bragging."

He looked up at me, and he said, "It is the essence of humility because the root word for humility in Latin is truth. So you are being very humble when you tell the truth," he said.

I assume that is what you were doing, right?

Mr. CROWDER. Yes; thank you, Mr. Chairman.

STATEMENTS OF:

DR. LOUIS RAY SADLER, DIRECTOR, JOINT BORDER RESEARCH INSTITUTE, NEW MEXICO STATE UNIVERSITY

DR. DONALD A. MICHIE, DIRECTOR, INSTITUTE FOR ADVANCED MANUFACTURING, DEPARTMENT OF MARKETING, UNIVERSITY OF TEXAS, EL PASO

Senator DOMENICI. Thank you very much. I think we have two expert witnesses who want to talk about various aspects of the border problems. Dr. Louis Sadler, director of the Joint Border Research Institute, New Mexico State University, and Dr. Donald Michie, department of marketing, University of Texas, El Paso.

Why don't we start with you, Dr. Louis Sadler, and then we'll take you, Dr. Michie. Then we'll ask a few questions, and if anybody in the audience wants to contribute, we'll wrap it up that way. Thank you for your time.

Thank you, Doctor, particularly for your arrival last night and your exciting conversation. I enjoyed it very much.

[The statements follow:]

STATEMENT OF LOUIS RAY SADLER

I am delighted to have the opportunity to appear today before this hearing of the Subcommittee on Treasury, Postal Service, and General Government of the United States Senate Committee on Appropriations.

Ten years ago, this hearing--insofar as New Mexico was concerned--would have been, frankly, of very little value. In 1977 or, for that matter, even by 1980 [seven years ago] New Mexico was not yet a pawn on the chessboard of trade along the 1,950-miles of U.S.-Mexican border. Our participation was minor at best. However, during the decade of the 1980's, and most particularly during the past six years, a number of developments have occurred that enabled our state to begin to compete as a trading partner of some consequence with Mexico.

New Mexico, afterall, has one of the largest Hispanic populations of all fifty states in the American union. We are a state which by our very name has a very special identity with Mexico.

Yet the irony has been that New Mexico, while historically maintaining the friendliest and most cordial relationships with Mexico of any of the four U.S. border states has done very little to establish business ties with Mexico. There are reasons--both geographical and historica.--for this which no one to my mind can be blamed. Since 1981--due to assistance from both the federal government and the appropriate federal agencies particularly the U.S. Customs Service; due to legislation passed by the New Mexico Legislature in 1981, i.e., the New Mexico Border Act; and due to the bipartisan support of our congressional delegation in Washington--New Mexico, as a state has finally overcome obstacles that have prevented the development of trade with Mexico. Let me enumerate some of these developments.

1. Passage in 1981 of the New Mexico Border Act.
2. The completion this fall of the southern border road, a 72-mile all-weather, gravel road from Columbus, New Mexico, running east to southern Dona Ana County.
3. The Las Cruces Crawford International Airport and the granting of international landing rights, which enables Dona Ana County residents to clear U.S. Customs.
4. The forthcoming construction of a magnificent new $2.8 U.S. Customs/Immigration & Naturalization Service facility at Columbus, New Mexico with construction beginning in early 1988.
5. Forthcoming opening of the Santa Teresa, New Mexico, port of entry, a full-service cattle crossing/international landing rights airport/port of entry that hopefully will be open sometime within the next 12 months.
6. The 40 miles of the 179.5 miles of the New Mexico/Chihuahua border, which has been refenced through the efforts of the New Mexico Border Commission, the Joint Border Research Institute and our congressional delegation.

Let me note that of all these developments the fifth offers the greatest promise along the entire U.S.-Mexican border. This area of some 60,000 acres on both sides of the border, operated by private sectors from both countries, promises to be, in my opinion, the most significant maquiladora/in-bond industrial park along the entire border. The development of the Santa Teresa twin-plant industrial park and its adjacent port of entry offer promise to assist the industrial parks at Columbus and Deming, NM. Furthermore, I recommend building a highway from the proposed Santa Teresa port of entry (when opened) to the Las Cruces Industrial Park south of the Crawford International Airport. This would link an industrial park here to the adjacent twin-plants.

It is no accident that these developments occurred. For several years a number of New Mexicans have worked unceasingly to develop these facilities, which are finally coming to apparition. New Mexico is now in a position to strengthen our historic friendly relationship with Mexico, particularly with the neighboring State of Chihuahua. There is no reason why New Mexico should not be able to develop significant industries both in Chihuahua and New Mexico for the betterment of the U.S. and Mexico.

The U.S. Customs Service in the El Paso district has for years been the principal federal agency that has gone out of its way to assist New Mexico in the development of trade, and the crossing of cattle and sheep both ways. It is in this respect that I would note the cooperative relationships that our 24-hour ports at Columbus, at Antelope Wells, and at the Las Cruces Crawford Airport have with the Customs facility at the Albuquerque International Airport. I would like to make two specific recommendations which, with little federal funding, could be of considerable assistance to New Mexico in its efforts to increase trade. (1) Adding facilities for a full-time veterinarian in southern New Mexico, i.e., Luna County. Currently the U.S. Department of Agriculture relies on a very fine veterinarian who travels to Columbus from Socorro to inspect cattle before they are crossed. (2) In the future, it could prove advantageous to appoint an Area Director under the El Paso District Director of Customs to be based perhaps in Las Cruces. This Area Director would be responsible for administering the U.S. Customs facilities at the Crawford and Albuquerque International Airports, Antelope Wells, Columbus, and the forthcoming Santa Teresa port of entry. Given the incredible responsibilities of District Director Mike Mack, it seems to me that a subordinate, whose principal responsibilities would be over Customs facilities in New Mexico, would perhaps make his job more manageable. These two items might have merit and would do much to increase trade in New Mexico. Southern New Mexico particularly could benefit from a full-time veterinarian and an APHIS inspector, who could facilitate the movement of vegetables and soforth in the Columbus area.

More often than not, problems concerning the U.S.-Mexico border get lost in the everyday happenings in Washington. I would like to personally congratulate Senator Domenici and Chairman Deconcini for taking the time to address this problem. This is not the first trip that Senator Domenici has made to this border. Personal visits to Columbus, Antelope Wells, and a look at other New Mexico facilities are no doubt one of the principal reasons a magnificent facility will be opened at Columbus next year. I have no doubt that with even reasonable economic conditions in both the U.S. and Mexico there will be a significant increase in trade through the New Mexico ports of entry. We who have observed this are grateful to see an increase in personnel necessary to run these ports, which will insure both the safety to our citizens and an increase in trade.

STATEMENT OF DONALD A. MICHIE

Thank you for inviting me to give testimony before your Subcommittee on Treasury, Postal Service and General Government. My name is Donald A. Michie. I am director of the Institute for Advanced Manufacturing, The University of Texas at El Paso and representative for the El Paso Foreign Trade Association and Border Trade Alliance. The primary mission these entitities is to facilitate the economic development of the U.S. border region with Mexico and to foster a better understanding of American industrial competitiveness in the global economy.

My commentary today is limited to two issues: ports of entry facilities and transborder transportation. These issues have become significant non-tariff barriers affecting U.S.-Mexico trade.

Before discussing these issues I would comment briefly on a problem that restricts communication between the U.S. border region and government. The problem is the different philosophies we have toward Mexico. U.S. agencies are guided by the "principle" that Mexico must adopt the U.S. model of economic behavior. The point is best illustrated by our insistence on reciprocity. Because we welcomed Mexican motor carriers into the United States we demand Mexico reciprocate. It matters not that most U.S. border motor carriers do not want access to Mexico or that reciprocity could cause distribution and service businesses to relocate to Mexico. The principle directs policy.

In contrast, the U.S. border region experiences the assimilation of two different cultures and economic systems. We are sensitive to Mexico's nationalism and concerns regarding foreign direct investment. We didn't have to read Alan Riding's Distant Neighbors to appreciate Mexico's perspective on U.S.-Mexican relations. We respect Mexico's sovereignty and yet applaud our government's efforts to promote the mechanisms of freer trade such as the reduction of trade barriers. We do not endorse the principle that Mexico must adopt our model of economic behavior. We are pragmatic and believe enhanced trade is in the self interest of both nations. We are committed to the reduction of barriers to trade.

Ports of entry and transborder transportation have become serious barriers to trade. By definition a port of entry represents a conduit for the flow of products, services and people across international boundaries. The purpose of the port is to promote effective flows subject to public welfare. U.S. ports of entry have become barriers to trade because the flows of products, services and people have become restricted unnecessarily. The restrictions exits due to:

1. Lack of Long Range Planning: The United States has never conducted a market study to determine the demand, present and future, for ports of entry. We have neither systematically appraised the market demand for facilities and staffing on a port by port basis nor ranked ordered the ports based on market demand projections. We lack a strategic plan for ports of entry to guide policy decisions to the year 2000 and beyond. Rather than be proactive, we have been reactive in appropriating funding for ports of entry. We allocate funds when complaints from constituents tell us the barrier seriously impairs trade. Given the importance of international trade, we must plan for the effective flow of commerce through our ports of entry. I might

add Mexico takes a more systematic, planned approach to its ports of entry strategy.

2. Lack of Coordination: Any strategic plan must include input from government and the public. In the case of ports of entry public input has been sponradic. Although the Border Trade Alliance commends the DeConcini/Domenici initiative and the U.S. Customs recommendations to address our port facilities problems, this effort still must receive further input from the public: communities and user groups. The Border Trade Alliance is concerned the "plan" at this time may place too much emphasis on facility astethics and enforcement and not enough emphasis on improvements to facilitate the flow of trade through the ports of entry.

Exhibits 1-3 illustrate our concern. Briefly, the Nogales business community believes the Mariposa recommendation must include a provision for four cargo lanes to access the U.S. port of entry (Exhibit 1). The El Paso Foreign Trade Association notes the Bridge of the Americas recommendation calls for the acquisition of land and omits reference to a commercial lane across the bridge. Also, the Santa Teresa recommendation makes reference to a two lane vehicle inspection facility. The recommendation makes no mention of commercial facilities (Exhibit 2). Finally, the Brownsville community notes the Los Indios recommendation lacks any Mexican or U.S. facilities currently, has not been issued construction approval by Mexico and is in competition with a port facility proposal by the Port Authority of Brownsville.

I want to repeat that the Border Trade Alliance commends your initiative and the recommendations of U.S. Customs. Before these recommendations become plan, however, the Border Trade Alliance urges that further public comment be utilized in the planning process. We are the users and our economic development may depend on your initiative. We would like to participate as partners with you.

The Alliance has requested that I offer its services to compile the border communities recommendations for renovating our port facilities. We could submit our recommendations to you within thirty days. Further, we would cooperate with U.S. Customs and this committee staff to satisfy government and public interests.

To include the discussion of ports of entry, I would like to make the committee aware the Border Trade Alliance has promoted dialogue between U.S. and Mexican customs officials. Since January 1987 BTA has helped initiate meetings in Mexico City and Washington D.C. These meetings have enabled the border communities to communicate to customs specific problems which restrict the flow of commerce through ports of entry. In addition, the customs agencies have agreed to a joint action plan to address staging/release of goods, communication/sharing of information, staffing, and port/facility issues (Exhibit 4).

3. Port of Entry Management: A study of the El Paso-Cd. Juarez port of entry (1984) concluded management was the most serious barrier to trade within the port. A U.S. port of entry is administered by five independent federal agencies, staffed by personnel from several different unions and in many instances is directed by police "enforcement" philosophy. If U.S. ports are to be effective at facilitating the flow of commerce subject to public welfare these management problems must be solved. We endorse the centralized, professional management of ports of entry, a management dedicated to public welfare and service.

The second major barrier is government regulation of transborder transportation. The problem is "principle." The U.S. insists on U.S. motor carrier access to Mexico given we permit Mexican motor carrier access to border Interstate Commerce Commercial Zones. Mexico refuses to cooperate. Transportation is earmarked as an industry reserved for Mexican nationals. The impasse has caused the U.S. government to assume a punitive posture toward Mexico. Since 1982 the United States has sought to force reciprocity by restricting Mexican motor carrier access. Examples of this punitive policy include the Bus Regulatory Reform Act (1982), the Motor Carrier Safety Act (1984), the abolishment of the Exempt Intracity Zone (1987) and the Truck Productivity Act (1987). The goal of the latter is to give the U.S. Department of Transportation complete rule making authority to determine access by Mexican motor carriers. As mentioned, we are concerned that a "reciprocity" principle dictates federal policy when a) most U.S. border motor carriers do not want access to Mexico; b) reciprocity may cause distribution facilities to relocate in Mexico and c) the U.S. economy would "hurt" first if transborder transportation were interrupted for a period as brief as two weeks.[1]

The Transborder Transportation system is fragile. It is dominated by Mexican motor carriers primarily for legal and economic reasons. Mexico restricts access by U.S. motor carriers and U.S. motor carriers cannot operate competitively in Mexico. The structure of the system is border community specific but, generally, nonexempt product is hauled by Mexican shuttle carriers who operate used U.S. equipment. These carriers hold licenses i.e., concessions to provide transportation services in Mexican border communities. Exempt products i.e., agricultural are hauled by Mexican private carriers who operate Mexican equipment. Mexico does not issue import permits for U.S. equipment except under special conditions. Mexican motor carriers are restricted to U.S. border Interstate Commerce Commercial Zones.

The Transportation issues are clear

1. U.S. Motor Carrier Access to Mexico: Access depends on the border community: Matamoras (limited), Nuevo Laredo

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[1] Dick Michel, Director of Mexican Operations, General Electric Company predicted a two week interruption would idle up to 1.2 million American workers.

(Unlimited), Cd. Juarez (Unlimited), Agua Prieta (prohibited), Nogales (prohibited) and Tijuana (prohibited). Under Mexican law U.S. motor carriers have the right to access a) Mexican border communities (Ruis Cortines 1955) and b) Mexican federal highways if the carrier is private holding title to the shipment (Constitution Section 89). In Sonora and Baja California, Mexico has prohibited the application of point "b" arguing that maquiladoras do not hold legal title to in-bond shipments.

2. Mexican Motor Carrier Access to the U.S.: The U.S. regulates Mexican motor carrier access by ICC operating authority, certificate of registration and financial responsibility (insurance). Except for the former all Mexican motor carriers are restricted to border community ICC zone. Further, if the carriers violate state transportation regulations, access may be denied by state safety officials.

3. Reciprocity: Reciprocity is not equal. The U.S. Department of Transportation demand the uniform application of the Ruis Cortines Decree (1955).

4. Public Safety: Under U.S. law i.e., Exempt Intracity Zone, Mexican motor carriers are exempt from federal safety equipment standards (Section 393, 49CFR), but not state safety standards. If practice, border states enforce a roadworthiness safety standard. The standard is enforced because a) public safety does not require a stricter standard, b) state inspectors are not trained to evaluate more than roadworthiness and c) vehicles of Mexican manufacture cannot comply with the stricter standard.

During 1986-87 Transportation ceased to be a trade barrier because existing U.S. law, specifically the Motor Carrier Safety Act of 1984 was not enforced. Except for insurance provisions, Mexican motor carriers enjoyed relatively free access to the United States. However, the abolishment (proposed) of the Exempt Intracity Exemption (Federal Register July 20, 1987) and DOT's bill, the Truck Productivity Act of 1987, threaten tranquility.

The former will require all Mexican motor carriers to comply with Section 393, 49 CFR safety equipment standards or comparable state standards. The change could devastate Mexico's agricultural industry because Mexican private carriers operating vehicles of foreign manufacture would be denied entry to U.S. border communities. Mexican shuttle carriers operating U.S. equipment would be able to retrofit (800-1500 dollars per vehicle) and pass on the cost to shippers.

The proposed Truck Productivity Act of 1987 would vest access authority with the U.S. Department of Transportation. The agency would via administrative rule making determine whether specific U.S. border communities would be granted commercial zones, whether foreign carriers would be licensed, etc.

As an organization committed to U.S.-Mexico trade and a stable, positive business environment for our communities the Border Trade Alliance has proposed a solution to eliminate transportation as a barrier to trade. The proposal is designed to facilitate the transportation of trade while at the same time protect public welfare. The proposal provides for:

1. U.S. Border Community Commercial Zones: Border commercial zones would be based on local trade areas, the boundary of which would not exceed fifty miles from the port of entry facility. Mexican motor carriers would be restricted to the zone transporting interstate (international) cartage only.

2. Licensing of Mexican Motor Carriers: Federal operating authorities would be abolished. Proof of insurance documentation and Mexican plates are sufficient to identify Mexican motor carriers.

3. Roadworthiness Safety Standard: If the U.S. Department of Transportation can endorse enforcement of a roadworthiness safety standard for Mexican motor carriers i.e. the standard enforced by state officials, Congress can legislate a roadworthiness safety standard within border commercial zones

applicable to Mexican motor carriers only. This provision would assure Mexican farmers and ranchers access to U.S. markets.

4. Reciprocity: Retain the moratorium provisions of the Bus Regulatory Reform Act (1982) and pursue the uniform application of the Ruis Cortines Decree (1955).

The Border Trade Alliance believes the professional management and strategic planning of ports of entry and the enactment of our proposed trucking regulation will facilitate economic development and promote the quality of life of U.S. citizens.

EXHIBIT 1: Recommendations for Renovation-
Nogales Port of Entry (2.615 Million)

Recommendations

U.S. Customs	BTA Nogales
General (7500) Government owned land	
Grand Avenue (2.2 million) Construct overhead walkway; modify pedestrian inspection facility, the vehicle primary inspection facility and office building, and the vehicle secondary lot and office	Support
Morley Gate ($64,000) Modify the pedestrian inspection facility	Support
Mariposa ($340,500) Improve the primary vehicle inspection area, the vehicle secondary lot and office, and the commercial primary inspection facility, office and exit booth	Must include an expansion to four commercial access lanes.

Comments: A good plan but user groups are disturbed by the lack of emphasis on commercial facilities. As drafted U.S. Customs recommends spending less than 200,000 of 2.6 million dollars to improve commercial facilities. The port must expand to four commercial access lanes if the flow of commercial is to be expedited. Commercial user groups were not consulted by U.S. Customs.

EXHIBIT 2: Recommendations for Renovation and Construction-El Paso and Santa Teresa (23.0 million)

U.S. Customs	El Paso Foreign Trade Association
Zaragosa (7.1 million) Acquire land and construct new bridge at Ysleta, upgrade primary building and inspection facility and modify secondary inspection lot.	Bridge is to be privately owned and financed. Funds should be used to build new facilities, commercial and noncommercial
Santa Fe Bridge (6.5 million) Construct 2/3 story building closer to bridge and demolish existing facility; modify pedestrian and vehicle primary inspection facilities, vehicle secondary inspection lot and secondary office/headhouse.	Support
Bridge of the Americas (7.9 million) Acquire land for new facility and construct at least 24 primary inspection lanes; upgrade pedestrian and vehicle inspection facilities; improve the secondary vehicle inspection lot and office; modify the entrance to the commercial lot, the lot itself, the commercial vehicle primary inspection facility, the commercial lot dock/office and exit area.	If land is available for acquisition, redesign and expand the commercial facilities. Establish a commercial lane on the bridge.
Santa Teresa (1.5 million) Acquire land and construct a basic two-lane vehicle inspection facility.	Acquire land and construct commercial facilities.

Comments: A good plan which has not been discussed adequately with user groups located in El Paso and southern New Mexico. If land can be acquired at the Bridge of the Americas, redesign and construct new commercial facilities. Santa Teresa should be developed with rapid expansion of the facility part of the plan.

EXHIBIT 3: Recommendations for Renovation-Brownsville Port of Entry (15.0 million)

U.S. Customs	BTA Brownsville
General Acquire land and construct a firearm range	
Gateway Bridge Upgrade pedestrian and vehicle and secondary inspection facilities, including the secondary lot, and modify the commercial inspection facility.	Needs to communicate with the City of Brownsville to route traffic exiting the port of entry.
B and M Bridge Modify pedestrian and vehicle primary and secondary inspection areas and offices; improve commercial processing facilities.	Facility has adequate land to build new commercial facilities including import lot.
Los Indios Build a new inspectional facility with import lot. Bridge project was approved by Mexico.	Site lacks access roads, bridge and Mexican approval. Project conflicts with Port of Brownsville bridge project.

Comments: A good plan but the Brownsville business community has not had sufficient input. Los Indios project has not been discussed with Brownsville. The project may conflict with the Port of Brownsville project to establish a commercial port of entry east of Brownsville.

EXHIBIT 4

Border Trade Alliance
Additional Sessions, Park Hyatt Hotel
Washington, D.C.

The following minute outlines are based on summary notes taken for U.S. Customs at meetings held at the Park Hyatt Hotel by the Border Trade Alliance. The first outline is from a meeting held at the Hotel between representatives of the Alliance and representatives of U.S. Customs from 4:00 P.M. to 6:00 P.M. on August 3, 1987, and the second from presentations given by Senator Phil Gramm (R.Tx.), Commissioner William von Raab and Director General Scali at the Hotel from 7:45 A.M. to 8:30 A.M. on August 4, 1987.

Follow-up session; 4:00 P.M. to 6:00 P.M., August 3, 1987.

This session was attended by the following U.S. Customs representatives: Al Tennant, Commercial Operations Director, Robert Bartol, Passenger Operations Director, Arthur Muirhead, Latin American Operations; as well as by Alberto Konik, Director of Mexican Customs Operations. The meeting also involved the participation of approximately thirty Border Trade Alliance Representatives.

The discussion followed the same agenda as the earlier meeting at U.S. Customs headquarters and similar observations were made. The following constitutes an outline of the items recommended by the participants to be analyzed further and considered for possible action:

- Staging and Release of Goods
    - Promotion of further meetings between Customs officials at the local and regional level
    - Pilot project on standardized U.S./Mexico joint documentation
    - Coordination of hours of service regarding commercial traffic to facilitate flow
    - Coordinated staging and document approval for release of commercial traffic
    - Expansion of U.S. Customs line release program for low risk, repetitive merchandise and commodities
    - Use by U.S. Customs of on-line selectivity procedures to speed up clearances
    - Elimination of overtime charges by Mexican Customs
    - Pilot project on on-site release of goods by Mexican Customs
    - Pilot project on combined warehousing and inter-subsidiary transfer of goods by Mexican Customs
    - Modernization and automation of Customs procedures
    - Continued review of viability of CES program by U.S. Customs
- Communication/Sharing Information
    - Expansion of use of Automated Broker Interface (ABI) by U.S. Customs
    - Unimpeded telephone communication between U.S. and Mexican Customs officials at port facilities
    - Participation of U.S. Customs officials as observers at Mexican Customs permanent modernization committee meetings, at discretion of U.S. Customs District Directors

  - Discussion of port work schedules between U.S. and Mexican Customs
  - Sharing of necessary information at port facilities by Customs personnel, including release times for commercial traffic
  - Continued use of U.S. Customs outside advisory panels on pertinent issues and to promote dialogue at each principal port

- Staffing
  - Consideration of certification of drivers, following adequate investigation (for principal carriers)
  - Increased staffing at overloaded ports
  - Obtaining appropriate inspectors at ports, such as Agriculture inspectors
  - Consideration of joint release pilot program to speed up clearance
  - Courtesy checks and attitude improvement programs for Customs personnel
  - Appropriate training of Customs personnel in primary and secondary methods to achieve a twenty second per vehicle average in primary inspection lanes
  - Expanded use of "soft"secondary by U.S. Customs
  - Expanded use of part time personnel by U.S. Customs at peak hours

- Ports and Facilities
  - Continued operation of joint U.S./Mexico working group on ports and facilities
  - Review of recently completed survey of U.S. ports, including needed improvements
  - Continued work with appropriate governmental agencies regarding new construction and improvements
  - Modernization of all ports and facilities

These items are very similar to, and in some cases restate, items discussed at the U.S./Mexican Customs regional meeting held in McAllen, Texas on July 28, 1987, and which were contained in the initial prepared agenda for the August 3, 1987 Washington meetings. They were simply condensed and made somewhat more specific.

The participants requested that the discussed items be reduced to writing, and that an action review plan be undertaken to determine progress made on these items in terms of dialogue and possible implementation in the next sixty days. Both customs services stated they would consider this request; and expressed a willingness to proceed forward.

Adjourned
6:00 P.M
August 3, 1987
Park Hyatt Hotel
Washington, D.C.

Presentations; 7:45 A.M. to 8:30 A.M., August 4, 1987.

Presentations by Senator Phil Gramm (R.Tx.), Commissioner William von Raab, and Director General Scali, at Border Trade Alliance meeting 7:45 A.M. to 8:30 A.M., August 4, 1987 at the Park Hyatt Hotel, Washington, D.C.

- **Senator Phil Gramm**
  - Discussions between U.S. and Mexican Customs officials, and with the involved private sector, are highly important to the improvement of trade between the two countries
  - The maquila industry is of upmost importance to both Mexico and the U.S.
  - All participants are to be congratulated on their efforts
  - The sequence of meetings should continue
- **Commissioner William von Raab**
  - The private and general meeting discussions with Director General Scali and the involved private sector representatives were very productive
  - He would hope to see issues such as joint documentation examined for possible implementation in the near future
  - He looks forward to continued dialogue and action on the items disscussed
- **Director General Scali**
  - The meetings were most productive
  - Commissioner von Raab, the Border Trade Alliance and the Mexico-Texas Bridge Owners Association are to be thanked for their efforts
  - Mexico is committed to the modernization of its Customs facilities and systems; in this way trade, particularly exports, will be enhanced to the benefit of both countries
  - At the direction of Lic. Petricioli, Secretary of Finance and Public Credit, Mexican Customs has been actively promoting and participating in the series of meetings culminating in the Washington discussions
  - He wishes to extend an invitation to a follow-up meeting to be held in Mexico City

Adjourned
8:30 A.M.
August 4, 1987
Park Hyatt Hotel
Washington, D.C.

U.S. - Mexico Customs Meeting
August 3-4, 1987
General Problems that Affect Both Countries

Staging and Release of Goods

1. Slow movement of vehicles causes long lines and problems.
Transito lento de vehiculos, lo que origina largas filas en las lineas con el consiguiente transtorno.

2. The need to reintroduce a joint dispatch between U.S. Customs and Mexican Customs.
Necesidad de reimplantar el despacho conjuntos entre los servicios aduaneros de Los Estados Unidos de America y Mexico.

3. Expansion of work schedules for services at international bridges.
Estamos de acuerdo en lograr una ampliacion en los horarios de servicio de los puentes internacionales.

4. Employ all means possible to facilitate customs operations.
Buscar por todos los medios disponibles y legales la agilizacion de las operaciones aduaneras.

5. Active participation of customs brokers in both U.S. and Mexico in solving problems.
Participacion activa de los agentes aduanales tanto de Estados Unidos como de Mexico en la solucion de los problemas.

6. Promote meetings between customs brokers of both countries.
Promover reuniones entre los agentes aduanales de las dos naciones.

7. Request cooperation from federal agencies.
Solicitar cooperacion de las autoridades aduaneras de los Estados Unidos a instituciones nacionales por ejemplo a los ferrocarriles.

8. Adequate and revised Customs forms both in Mexico and the U.S., seeking to establish standard documentation and one common form.
Contar con las formas aduanales adecuadas y actualizadas tanto en Mexico como en Estados Unidos buscando estandarizar la documentacion hasta llegar a una propuesta unica.

9. Give necessary assistance in resolving the problems of backlog and freight of the transport lines in both countries.
Prestar el apoyo necesario para resolver los problemas de resago y cargo de los medios de transporte en ambos paises.

10. Request U.S. customs brokers to extend their hours.
Solicitar a los agentes aduanales Americanos la ampliacion de sus horarios.

11. Sharing decisions on both sides of the border concerning Customs related matters.
Compartir las decisiones que se establezcan en ambos lados de la frontera en materia de aduanas.

12. Modernization and updating of Customs systems at international bridges in order to expedite and facilitate the export of commodities.

Modernizar y mecanizar el sistema aduanero en los puentes internacionales para hacer expedito y oportuno el transito de mercancias, utilizando el proximo ano el sistema armonizado.

COMMUNICATION/SHARING INFORMATION

1. Recommending prior and definite inspections of freight trucks from Mexico.

Recomendamos a los administradores Mexicanos realizar inspecciones anteriores y definitivas a los camiones de carga procedentes de Mexico.

2. Higher inspection of documentation for freight trucks.

Revision previa de documentos a los vehiculos de carga.

3. Request better use of work schedules for international commodities traffic.

Mejor uso de los horarios para el transito internacional de mercancias.

4. Seek all means possible for better facilitation of customs operations.

Buscar por todos los medios disponibles y legales la agilizacion de las operaciones aduaneras.

5. Provide permanent communication services between the U.S. and Mexico.

Implantacion de un servicio de comunicacion permanente entre las aduanas de Estados Unidos y Mexico.

6. Grant and facilitate necessary adaptation required by both countries.

Otorgar y facilitar las adaptaciones necesarias requeridas de ambos paises.

7. Invite observer from U.S. Customs Service to the permanent modernization committee.

Invitar a un observador de la aduana de Estados Unidos en los comites permanentes de modernizacion aduanera.

8. Give necessary assistance in resolving the problems of backlog and freight of the transport lines in both countries.

Prestar el apoyo necesario para resolver los problemas de resago y cargo de los medios de transporte en ambos paises.

9. Sharing decisions on both sides of the border concerning Customs related matters.

Compartir las decisiones que se establezcan en ambos lados de la frontera en materia de aduanas.

10. Modernization and updating of Customs systems at international bridges in order to expedite and facilitate the export of commodities.

Modernizar y mecanizar el sistema aduanero en los puentes internacionales para hacer expedito y oportuno el transito de mercancias, utilizando el proximo ano el sistema armonizado.

STAFFING

1. Slow inspection and detailed examination by U.S. Customs personnel which causes congestion of tourists and commodities.
Revisiones lentas y rigurosas de personal de Aduanas de Los Estados Unidos de Norte America que congestiona el cruce del turismo y de las mercancias en los puentes internacionales.

2. To have greater vehicle control of the drivers by presenting a guarantee by their corresponding Chamber of Commerce.
Ejercer un mayor control vehicular a los conductores transportistas por medio de un aval de la camara respectiva.

3. Providing health service to carry international interchange of commodities
Establecer en las Aduanas Norteamericanas que no lo tienen, el servicio fitosanitario para poder realizar los movimientos internacionales de mercancias que lo requiren.

4. Take better care of qualification of personnel as a means for providing better services.
Atender a la calificacion del personal como una forma de mejorar los servicios ofrecidos.

5. To provide increased personnel for services where necessary.
Destacar en las aduanas donde sea necesario, mas personal a la prestacion del servicio

6. Higher inspection of documentation for freight trucks.
Revision previa de documentos a los vehiculos de carga.

7. Request better use of work schedules for international commodities traffic
Mejor use de los horarios para el transito internacional de mercancias.

8. Request cooperation from federal agencies.
Solicitar cooperacion de las autoridades aduaneras de los Estados Unidos a instituciones nacionales por ejemplo a los ferrocarriles.

9. Dependency on adequate and revised Customs forms both in Mexico and the U.S., seeking to establish standard documentation and one common form.
Contar con las formas aduanales adecuadas y actualizadas tanto en Mexico como en Estados Unidos buscando estandarizar la documentacion hast llegar a una propuesta unica.

10. Sharing decisions on both sides of the border concerning Customs related matters.
Compartir las decisiones que se establezcan en ambos lados de la frontera en materia de aduanas.

11. Modernization and updating of Customs systems at international bridges in order to expedite and facilitate the export of commodities.
Modernizar y mecanizar el sistema aduanero en los puentes internacionales para hacer expedito y oportuno el transito de mercancias, utilizando el proximo ano el sistema armonizado.

PORTS AND FACILITIES

1. Increase operations and efficiency of Customs area for the receipt and expedition of commodities in international commerce.

Se require mayor operatividad y suficiencia de las areas fiscales para la recepcion y despacho de las mercancias en transito internacional.

2. Traffic congestion resulting from several lanes of vehicles filtering into one.

Existencia de "cuellos de botella" al desembocar un trafico de varios carriles en uno solo.

3. Need for greater space at customs lots.

La necesidad de contar con mayor espacio en los patios fiscales.

4. Opening more export lanes.

Apertura de mas carriles para exportacion de mercancias Mexicanas

5. Expansion of work schedules.

Estamos de acuerdo en lograr una ampliacion en los horarios de servicio de puentes internationales.

6. Modernization and updating of Customs systems at international bridges in order to expedite and facilitate the export of commodities, particularly under the Harmonized System next year.

Modernizar y mecanizar el sistema aduanero en los puentes internacionales para hacer expedito y oportuno el transito de mercancias, utilizando el proximo ano el sistema armonizado.

STATEMENT OF DR. LOUIS RAY SADLER

Dr. SADLER. Thank you, Mr. Chairman.

Senator Domenici, might I respond? The deputy trade representative, Timothy Bennett, and I differ as far as his remarks, vis-a-vis Taiwan. I'm, of course, aware of the fact that the Republic of Mexico does not maintain diplomatic relations with the Republic of China; that is, Taiwan. I also know that, in a conversation with a Mexican foreign affairs official, that position, insofar as investment from Taiwan, is not a rigid one. It is subject to certain possibilities.

I would be reluctant to go beyond that, but I think you are quite right in noting the fact that that is a possibility, and it is recognized as such by our Embassy.

Let me, if I might, begin by summarizing my prepared testimony. I'm delighted to appear today before the Subcommittee on Treasury, Postal Service, and General Government of the U.S. Senate Committee on Appropriations.

I would simply note that a decade ago, in 1977, insofar as the State of New Mexico was concerned, this hearing would have been, in my opinion, of very little value. Even as late as 1980, some 7 years ago, New Mexico was not yet pawn on the chessboard of trade along the 1,950 miles of United States/Mexican border. Our participation was minor at best. But during the decade of the 1980's, and most particularly during the past 6 years, a number of developments have occurred which have enabled our State to begin to compete as a trading partner of some consequence with Mexico.

We are after all, as a State, the most Hispanic of all States in the Union, and we're proud of it. By our very name—which we tend to forget as New Mexicans—we have a very special identity with Mexico. But the irony has been that Mexico and New Mexico, while historically maintaining a very cordial relationship—indeed the most cordial relationship of any of the four border States of California, Arizona, Texas, New Mexico—New Mexico has done very little to establish business ties with Mexico. We've done very little with that.

There are a number of reasons for that, both geographical and historical, for which no one, in my opinion, is to blame. But since 1981, a number of items—and let me just tick them off, if I might—have indicated that our State has begun to respond. And a number of New Mexicans, such as yourself, in the political arena and in the business sector have done much to strengthen those.

Beginning in 1981 with the package of the New Mexico Border Act, which created the New Mexico Border Commission.

The completion this fall of the southern border road, 72-mile, all-weather, gravel road from Columbus, NM, running east to southern Dona Ana County, and linking up with Santa Teresa.

The declaration of the Las Cruces Crawford International Airport and the granting of international landing rights—which you are quite familiar with, since you have enabled that to take place.

The forthcoming construction of a fine $2.8 million facility, which has already been noted earlier with a ceremony here, which will be open in some 17 months.

And the forthcoming opening, of course, of what is, I think, certainly, our greatest opportunity in Santa Teresa.

I confess a bias here. I think the Santa Teresa facility has a potential to be the finest maquila industrial park along the entire border, without any question, because one of the infrastructure that is already in place is the availability of water, et cetera.

I would also note that I would hope, and I would make a suggestion, that consideration should be given, in my opinion, by the Dona Ada Commission, by the city of Las Cruces, to link that port also with the Las Cruces Industrial Park south of the Crawford Airport. One could put a road on BLM lands up across the mesa that would tie Las Cruces rather precisely with that particular facility.

Senator DOMENICI. How far is that, Doctor?

Dr. SADLER. That would run approximately 30 miles, I believe, Senator, approximately 30 miles. And one could use existing roadnets. But in the future, if one wants to do so, I think one could come up on BLM lands without any difficulty, and I think it would do much to enhance the relationship between southern Dona Ada County, that port, and the city of Las Cruces in the industrial zone south of the airport. I think it would be beneficial to all concerned there.

I make a couple of very specific kinds of consideration, and they fall, I suppose, in the microlevel. But we in New Mexico have had to do that while we move forward. That is, some decision to put a full-time veterinarian at the Columbus port of entry would be beneficial to that particular facility.

I also make some suggestion, as far as the future is concerned, that I hope New Mexico will have an area director under our district director of Customs. It seems to me that the problems are rather peculiar, given the responsibilities that the district director has, that if one, perhaps, of the port directors would designate an area director, perhaps here at Las Cruces, based at the Crawford Airport. A consideration might be given to that. There have been studies in the past of this, and I simply throw them out as a possibility.

Finally—and I assure you I'm not being nice—let me express my appreciation to you and members of your committee for addressing this particular problem, because it is serious; it is important. You're giving the kind of attention to this 179.5 mile link that we have to give, the kind of responsibility to take a look at what is a real possibility for our State. We've not been able to take advantage of it in the past.

Thank you so much.

Senator DOMENICI. Thank you very much.

Dr. Michie.

STATEMENT OF DR. DONALD A. MICHIE

Dr. MICHIE. Thank you, Senator. I want to extend my appreciation to the committee for the opportunity to present testimony. I am director of the Institute for Advanced Manufacturing at the University of Texas at El Paso. I am here as a representative of the El Paso Foreign Trade Association, which is very proud of its membership existing in southern New Mexico; El Paso, TX; and Juarez. I am also here as a representative of the Border Trade Alliance, which is a network of border communities from Brownsville to San Diego. So my commentary reflects the official position of those two entities.

I'm going to limit my comments to two issues; infrastructure—that is, ports of entry—and transportation. I'm doing so because I think these are critical issues to fostering trade with Mexico, and also critical to the economic development of New Mexico and the border States.

I would like to preface my comments, because I think Mr. Bennett brought the topic up, that we often fail to communicate both with Mexico City as a border region and with Washington because we are basically operating on the basis of two different philosophies. We often find that Washington does establish its policies on the basis of principle, and here on the border we tend to take a much more pragmatic view.

As it concerns transportation, when we look at dealing with Mexico, it's similar to playing a hand of poker. There is a time to play and there is a time to hold. With the transportation issue, I think perhaps we should hold, but I'll elaborate more on that in a moment.

Ports of entry and border transportation have been serious barriers to trade between the United States and Mexico. Basically, I think there are three reasons why ports of entry have become barriers. One, if we take a look at the ports of entry for the United States, we lack a long-range plan in terms of what facilities are needed, what kinds of staffing are required, what is the market demand for the types of facilities that we have. We lack a strategic plan which will guide policy decisions concerning ports of entry from now to the year 2000 and beyond.

What we often find, I think, is that the complaints to your office and those of your peers at some point reach such an extent that we determine we have a problem, and then we attempt to allocate funds to correct the situation. Rather than being proactive, I suggest we are far too reactive in terms of our ports of entry. I would also like to suggest that Mexico does a far better job in terms of planning for its ports of entry with the United States than, certainly, we have done.

Second, I feel there has been a lack of coordination. If you're going to have a strategic plan, you should have the involvement of Government and the public operating together to make certain that the facilities are going to service the needs of the United States and the border communities. I applaud, and the association applauds the DeConcini-Domenici initiative to address the infrastructure problems we have with the ports of entry and the U.S. Customs recommendations to identify where are our problem areas on a port-by-port basis.

What disturbs the Border Trade Alliance is that the border communities have not at this point in time had sufficient input into what are the requirements. I believe a point was made at Nogales that the plan for the port of entry in Nogales did not take into account the need for four access lanes into the port.

I do not want to elaborate on that. I have additional examples within my written testimony.

Senator DOMENICI. Let me just tell you, Doctor, the plan that you refer to that Senator DeConcini and I are going to try to begin to implement quickly is based on a preliminary assessment by Customs and the GSA. We can then have those agencies conduct a series of hearings, go into all of the communities that are affected, and beyond that, do a little more strategizing.

Let me tell you what motivated us, I believe. We have now both had an opportunity to familiarize ourselves with the gross inadequacies, and I can't even invent the right kind of words to describe the embarrassment that I had as a U.S. Senator when I went to Columbus. Literally, I saw things that I didn't believe the U.S. Government could operate. If you try to run that as a business, you would have 12 agencies of the Federal Government there inspecting you to close you down, from OSHA to health and sanitation to environmental protection, and who knows what else.

So what we did is, we saw a little leeway this year, and it's sort of like we're going to strike when the iron is hot. We're not going to get the whole thing done, but we're going to have something like a $70 million or $80 million initial program. It will take a long time to get implemented. I believe what we'll do is, we'll get the groundwork laid, and that will hit the high spots. I assume we're not going to be able to fund all that, maybe just get a foot in the door.

I'm looking to Senator DeConcini's right-hand man down there to see if we're on the right track, because Dennis and I have talked about this. Then, obviously, we can adjust it and modify it as we move through a number of years of appropriations.

So we're going to take your advice seriously, that we do a better job of strategizing and planning. But I think if you, with your expertise, were given the option, sitting across the table from us, to get this thing started now, you would. If we don't, we won't get it started for 5 years, and it might not even fit the next round. I think you would say, "Go ahead, and then we'll work around the details." I don't know.

Dr. MICHIE. Let me make just one further point. Don't take my comments as criticism of your initiative or that of U.S. Customs, because we certainly recognize the need for this. After all, we are the users, and our economic development depends on your initiative. We would like to participate as partners. I am authorized by the Border Trade Alliance, which has representation in each of the border communities along the United States/Mexico border, to compile the border committee recommendations for the renovation of the port facilities and to submit our recommendations to you within 30 days, and we will.

Further, we will cooperate with U.S. Customs and the committee staff to satisfy Government and public interest needs. So I would certainly like to offer that to you.

The third point that I want to make concerning ports of entry——

Senator DOMENICI. We will make the package—to the extent that it's got flesh on it now—available to you right quick. As a matter of fact, we'll leave it here, so you'll have it.

Dr. MICHIE. I appreciate that, Senator.

The third point I want to make, that I consider a barrier to the ports of entry, is the management of the ports of entry. As you indicated, there are numerous governmental agencies operating within these ports. As a result, we have, quite frankly, a bureaucratic nightmare in terms of professionalism and efficiency of management within our ports. We go on record as recommending that we centralize management within the ports of entry in the interest of efficiency.

The second barrier——

Senator DOMENICI. Does that mean we ought to do away with the difference between an INS officer, an Immigration officer, and a U.S. Customs officer?

Dr. MICHIE. That might be a place to start with, Senator.

Senator DOMENICI. I agree with you. It might be hard as hell to do, but it's something to look at.

Dr. MICHIE. Just that we have different employees representing those agencies. In all honesty, Senator, the Border Trade Alliance has worked very hard with United States and Mexican customs. We have met in Mexico City in a meeting. We met last month in Washington, and part of my testimony includes extensive minutes of those meetings, the meeting in Washington and what was agreed to by the United States and Mexican customs, in terms of how to facilitate the flows of people and merchandise through the ports.

Despite that, there is an enforcement mentality within U.S. Customs that perhaps is unnecessarily harsh and does represent a barrier to the efficient flow of trade through the ports of entry. For example, the CIS, centralized inspection station, which to date has not caught or in any way impeded the drug traffic. Yet, that shipper that is selected for unloading assumes a $350 cost to pay for that inspection.

As a business person, I tend to look at what are the benefits and the costs of this, recognizing that we obviously need to protect public welfare, but I do think we need to be reasonable in certain aspects.

The second issue, which I'm sure you're aware I'm going to comment on, deals with transborder transportation. Again, the basic problem between the Border Trade Alliance and the border communities, and particularly the U.S. Department of Transportation, is that of principle. The United States Department of Transportation is adamant about reciprocity with Mexico, access of United States carriers into the border communities of Mexico.

Having failed to accomplish that, we have seen the enactment of two pieces of legislation that are clearly punitive. One being the Bus Regulatory Reform Act in 1982, in which the President was given authority to restrict access by Mexican carriers to border commercial zones. The second one being the Motor Carrier Safety Act of 1984, which could have been a serious problem for transborder transportation except that it was not enforced. As of March 26, 1987, before the Committee on Service Transportation, it was deemed to be unenforceable.

But the issue has not gone away, despite the fact that traffic is flowing relatively umimpeded. The difficulty is that, on March 20, in the Federal Register, the U.S. Department of Transportation has notified or published notification of its intention to do away with the exempt intracity zone. What this zone did for transborder transportation is to exempt Mexican motor carriers from section 393, being the most important section of 49 CFR, safety equipment standards, Federal safety equipment standards.

The abolishment of that, which we think will occur, is going to have a tremendous impact on the State of New Mexico for this reason. The agricultural industry from Mexico operates Mexican equipment. That equipment would have to be remanufactured to comply with section 393 provisions and/or comparable State equipment standards. Withthe repeal of the exempt intracity zone, there is no basis for these Mexican vehicles to enter into the commercial zones of the United States, because they cannot comply with that standard.

The second piece of legislation, which is a bill which has been introduced by the Department of Transportation—and I noted that Mr. Bennett made reference to the need for a stable business environment along the United States/Mexico border. This bill is entitled the Truck Productivity Act of 1987. That alone, the title alone, suggests that perhaps we cannot argue with its content. But, basically, what it does is transfer to the U.S. Department of Transportation—or would, if it were enacted—the authority to determine access by Mexican carriers into the United States. The United States Department of Transportation would have the authority to determine on a port-by-port basis whether or not Mexican carriers would indeed be granted access.

Now, we've talked a lot about the maquiladora industry, and you've seen the figures in terms of the number of American jobs that are supported by this industry. Within a 2-week period of time, according to Mr. Dick Mitchell, who is director of maquila operations for General Electric Corp., if we were to interrupt traffic across that border, more than 1.5 million American workers would be seeking some sort of social benefit.

My point, we're in a poker game. When do you play and when do you hold? Do we risk trade for the benefit of principle? I and, of course, the Border Trade Alliance suggest, of course, not. What do we propose? The Border Trade Alliance has worked with your office and that of other border representatives to suggest a solution or what we consider to be a solution to the transportation problem. We would like Federal legislation that would do the following:

No. 1, establish border commercial zones along the United States/Mexico border and that with Canada. These zones would be based upon the local trade patterns within each of the border communities, to be restricted to a maximum of 50 miles from the port facility. This would be, I think, very beneficial for the State of New Mexico, in that Mexican shuttle carriers would be able to operate within the community of Las Cruces, through El Paso.

It's my understanding—and don't quote me on the figure, but it's reasonably close—that Honeywell, in the transshipment between El Paso and Las Cruces, adds $80 per shipment because of having to drop it in El Paso and then hire an American carrier to continue the load to El Paso. That cost would certainly be reduced if the Mexican carrier could provide the service.

We are, of course, a common-trade area, and that should be recognized. Second, although United States motor carriers have access to Mexico, we endorse the Ruis Cortines Decree, which to our knowledge is still officially recognized in Mexico, although it is not applied uniformly along the border. We certainly endorse the U.S. Government's efforts to have that decree practiced.

Public safety—we feel that public safety is assured if we endorse a roadworthiness safety standard. Before the Border Trade Alliance 2 weeks ago, the U.S. Department of Transportation representative indicated that the Department will enforce a roadworthiness safety standard within commercial zones. If that department is willing to enforce a roadworthiness safety standard, then I suggest the U.S. Congress can legislate such a standard and relieve us of the potential of stricter enforcement of legislation that we think has no bearing on public safety.

Senator DOMENICI. If who could do it?

Dr. MICHIE. If the U.S. Department of Transportation is willing to accept the enforcement of a roadworthiness safety standard, then we recommend that U.S. Congress can legislate such a standard. I might add that a recent spot check of U.S. motor carriers on interstate highways throughout the United States indicated that more than 60 percent failed to comply with section 393, equipment standards.

That concludes my testimony.

Senator DOMENICI. I very much appreciate that. When you use the word infrastructure, you're referring basically to the physical facilities around the border crossings?

Dr. MICHIE. Yes, sir.

Senator DOMENICI. It means a lot of different things to different people, but that means what we have and they have at that point, in exchange of commerce and people? That's the infrastructure?

Dr. MICHIE. Yes, Senator. I have toured the United States/Mexican border, and I find the facilities to be particularly appalling as well.

Senator DOMENICI. What is the big El Paso hangup on time delays? Is it just too much business for the facilities, or is it congestion aside and apart from infrastructure, as you and I have just now agreed and defined it?

Dr. MICHIE. Without question, there is an infrastructure that is insufficient to handle the demand. But I would also like to point out that the port of entry lot is underutilized. I believe now we have operating hours for commercial activities expanded to 16 hours. Why not 24? Why not clear commercial traffic during nonpeak, noncommercial traffic? This would require the maquiladora industry and plants to adjust its production schedule. But as it stands right now, you can complete one trip through that port of entry during a single day.

I would suggest that perhaps Sean or Becky volunteer to come to El Paso and do as a representative of Senator Gramm did, and that is to ride a truck, ride with a vehicle from El Paso to Juarez and return. We had dinner planned for 5 p.m. that evening, Senator. The representative left at approximately 8 a.m. in the morning and was late for dinner.

Senator DOMENICI. We are all very believing people. Why don't you just tell us Senator Gramm's staff person's name and we'll ask him. We have a lot of other things we would rather do than that for now. We believe you.

Dr. MICHIE. Let me make one other point, if I may. Economically, U.S. motor carrier access into the border communities, particularly in the Cuidad de Juarez, doesn't make sense.

Mr. Rudy Miles, a trucker in El Paso, maintains that it would cost him $175 to $220 per trip to provide service into Cuidad de Juarez. He can do it. There are no restrictions on his entry of Cuidad de Juarez. But he cannot compete with the Mexican carrier who can make the trip for $90 to $120. So it's a question of economics in many border communities.

Senator DOMENICI. We surely—I know I'm speaking for Senator DeConcini—welcome any input on the facilities plan. It just keeps going through my head on these border crossings as they apply to commerce, that maybe we would stay ahead of the game and modernize and keep pace if there was a little bit more of a relationship with the users—more like a toll road appropriation, where we have people paying something and that money is used to improve things in a manner that has a marketplace kind of clearing of its own.

I'm going to tell you a story, and then I really don't want to discuss that issue too much, because it's obviously not a very neat subject. It makes everybody mad. I was on a subcommittee once, when the big issue in this country was telling the Corps of Engineers to build right quick some of these deep water ports. Remember, we were going to run out of oil if we didn't get these huge 60-foot, 80-foot tankers in deep-water dispersions to get them out of our courts? Everybody wanted to get there first with a mandate to the court to build their port.

Baltimore, MD, was competing with Norfolk, VA, and somebody else said they wanted to have one. We haven't built any yet, strangely enough. But we invited some little fellow from Wall Street, New York, who didn't know anything at all about ports. What he knew was how things got financed. He said:

> You just change the law on the authority for these ports. You give them a Federal charter, and you say that they're going to be able to issue bonds so long as you're not going to have to guarantee them. Give them new authority. They'll be able to charge fees for those supertankers to back up those bonds.

He said:

> I'll guarantee you that, No. 1, you will build it in the right place; No. 2, you won't build more than you need; and, No. 3, the politicians won't have very much to say about which one is the right one.

You know, it was a very strange sort of witness that came in out of the blue. We listened because what he said made sense. We called the whole episode off and said, "Let's see how this is going to work. Let's ask some of these port authorities about it." Sure enough, all we had to do was touch up a few port authority laws, and they could go out into the open market, and if they had enough business they could prove, they would sell their bonds, and they would build these things.

I'm not at all suggesting that we start approaching the border in such a dramatic way, but I really do get disturbed when I think this little port probably had—I don't know, short of having maybe the Secretary of the Treasury himself saying, "I want to build that port." I think it had about the strongest emphasis you could get. I mean, we wrote it in the appropriations bill. We mandated it. They came to see us every 4 or 5 months. They transferred it wherever they had to to get designs going. It's been 3½ years. Just multiply it out across this national border with reference to need.

And I'm not critical of GSA, but, they have so many things they've got to go through in order to get it built. Frankly, they still have a little piece of land to clear for Columbus, don't they? One-half acre in an estate. It took us so long, the person died. Now we have to buy it from the estate.

But I really am wondering about this issue of how do we keep pace, and how do we have a strategy, No. 1.

No. 2, how serious do you think the issue is of trying to unify the manpower at some of these ports under one directorship instead of having three? Do you feel that that might be a good idea, instead of having USDA and——

Dr. Michie. Absolutely, Senator. I think that's the only way you're going to have effective management of the port of entry. I don't know of a single business of the United States that has five different independent entities and is efficient.

Senator Domenici. Incidentally, some of the business people you represent were angry about port activities, and improperly blamed one or the other of the agencies involved because you can't distinguish who is to blame.

Dr. Michie. That's true.

Senator Domenici. You've got INS, who are doing their job and people think they're Customs people, and conversely. Then USDA has to be there for certain times, and that's limited. That may hold up the whole agricultural part, while Customs is being blamed. I'm sure you're more aware of that than I, but I'm just beginning to hear that. And I can see how it happens.

Users get mad, too, because they have different roles. They don't know why this one doesn't come over and help this one. Well, it's not his job, he isn't even trained to do that. He's working on immigration. And they wonder why these four immigration officers aren't doing inspection of vehicles. Well, they look the same, right?

So the community is rather disturbed, and they write us and say, "You've got a bunch of loafers over there on the border." It isn't that at all. But I don't know if we can get that done. Have you ever talked with any of the hierarchy administratively about that proposition, Doctor?

Dr. MICHIE. Yes, Senator; we have met with both Immigration Service as well as U.S. Customs Service. We attempted to bring both commissioners together for a meeting, and we were unable to do that.

Senator, could I take the liberty and just list what the El Paso Foreign Trade Association, the membership from New Mexico feels the State of New Mexico needs to do if it wants to be involved more completely in the maquila?

Senator DOMENICI. I would love to have that. We'll close the meeting on that score.

Dr. MICHIE. No. 1, right to work. That is an important factor in bringing industry into the State of New Mexico.

Two, commercial access via Santa Teresa. You'll find that that port will be utilized and will stimulate economic development in southern New Mexico and the El Paso Del Norte area.

Three, the business tax structure.

There are two things that I think the State of New Mexico is aware of. No. 1, the State of Texas has an inventory tax, and Chrysler Corp., this past spring was just hit with a $260,000 assessment. That tax could very well impair the location of maquila industry within the State of Texas. They will either go into Mexico with the warehousing facilities, or perhaps the State of New Mexico, from the El Paso area.

Third, we've got to pave the road between Columbus and Santa Teresa. The maquila industry will not use it as a dirt facility. It fouls electronics, it fouls garments, and they won't pay the extra $100 that it takes to go from Columbus to Deming to Las Cruces to El Paso. Beyond that, Dr. Louis Sadler's suggestion of a road to the Las Cruces airport is a darn good idea.

Thank you.

Senator DOMENICI. Dr. Sadler.

Dr. SADLER. Senator Domenici, on the matter of paving the southern Dona Ana County road, I understand what Dr. Michie is saying. Let me note that you know very well the struggle. that it took for a quarter of a century, that people like Ike Smalley and others waged to get that road. It is a gravel road. I understand the situation as far as electronics. The cost factors alone are $1 million a mile, $72 million. Where is that money going to come from?

Let me suggest, it would be nice if there was a nice border highway there that would be available which would open up that strip. But I would maintain that that has yet to been proven. There are reasons which are both economic and political involving this, both in terms of the law enforcement community and insofar as relationships between Dona Ana County and Luna County, and some other things that would impact. I would maintain that the road is not quite finished even in a gravel condition.

I would suggest that it is in the best interest of all parties concerned here in New Mexico, in particular, to let that wait in abeyance to see how traffic goes.

Senator DOMENICI. Well, nobody has yet figured out a way to ask me to have a special appropriation for that road. So I'm grateful for that. That means it remains a problem of the State of New Mexico with reference to allocating its $125 million it gets from us a year, and that's a pretty good chunk of it that you just cited. $70 some million, right?

Dr. SADLER. Yes.

Senator DOMENICI. We'll communicate these to the Governor. I'm sure that he is aware of them and that his people are aware of them.

CONCLUSION OF HEARINGS

I want to thank the city of Las Cruces for allowing us to use their facility here, the city council chamber; the mayor for use of his office; and the city manager's office for their assistance and for their facilities. The subcommittee will stand in recess subject to the call of the Chair.

Thank you very much.

[Whereupon, at 3:50 p.m., Thursday, August 20, the hearings were concluded, and the subcommittee was recessed, to reconvene at the call of the Chair.]

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